Austria	Sch30	Indonesia	Rp3100	Pakistan	Rs35
Bahrain	Din0.900	Iran	Rls210	Philippines	Pso40
Belgium	BFr60	Israel	Shk4.50	Poland	Zl 15,000
Cyprus	C£1.00	Italy	L2200	Portugal	Es175
Czech	Kcs35	Jordan	JD1.20	Qatar	QR10.00
Denmark	DKr13	Korea	Won 2000	S.Arabia	SR8.00
Egypt	E£3.50	Kuwait	Fils.500	Singapore	S$4.10
Finland	FM10	Lebanon	L£1,000	Spain	Pta175
France	FFr8.00	Lux	LFr60	Sweden	SKr13
Germany	DM3.00	Morocco	MDh10	Switz	SFr2.70
Greece	Dr200	Neth	Fl 3.50	Thailand	Bht50
Hungary	Ft145	Nigeria	Naira15	Tunisia	Din0.850
Iceland	IKr180	Norway	NKr13.00	Turkey	L5000
India	Rs20	Oman	OR1.20	UAE	Dh8.00

EUROPE'S BUSINESS NEWSPAPER

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Thursday November 14 1991

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GOLD

Symbol aims to add new shine to sales

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BEHIND CLOSED DOORS

PART FIVE

'In the court of the Sheikh'

Page 6

Russia plans Polish style economic shake-up

By **John Lloyd** in Moscow

THE RUSSIAN government's new economics team is planning a Polish style "big bang" liberalisation of prices and simultaneous sharp cuts in state spending.

Most prices will be fully freed from January 1, except for a limited number of basic foods and oil and oil products, which will remain controlled because of the effects of a full liberalisation of fuel prices on the rest of the economy.

Prices of some basic goods are already going up. Although the price of the simplest types of black and white bread remains unchanged at between 50 and 60 kopecks, superior quality bread rose sixfold in Moscow yesterday.

The burgeoning budget deficit, which is approaching 30bn roubles, according to figures issued by the Russian Finance Ministry last month, will be slashed by cutting subsidies and social payments. However, a social safety net is being prepared for introduction before the price rises are announced to shield the poor and pensioners against the worst effects.

Professor Jeffrey Sachs, the Harvard economist who played a leading role in the Polish economic reforms introduced two years ago, is understood to have advised the Russian economics team during a four-day visit to Moscow last weekend. Prof Sachs, en route to Yugoslavia, was not available for comment last night.

The ministers and senior figures in the economics team have now been appointed and are being presented as a group united on a common plan of action – unlike the previous cabinet, within which there were constant squabbles on economic reform.

The economics team is headed by Mr Egor Gaidar, also a deputy prime minister, who has won the right to appoint close associates. These include Mr Vladimir Lopukhin as energy minister; Mr Anatoly Chubais, a former aide to Mr Anatoly Sobchak, mayor of Leningrad, who becomes chairman of the privatisation committee; Mr Andrei Nechaev, Mr Gaidar's former deputy at the Institute of Economic Policy who is chairman of the Committee on Investment; and Mr Konstantin Kagalobsky, head of the Institute of Market Research, who becomes head of a new committee overseeing foreign technical assistance.

These men, largely in their early thirties with little experience of politics, have been catapulted into positions of enormous responsibility and difficulty as the economic crisis of the Russian republic, and the Soviet Union, grows daily more intractable.

Waves of foreign economic advisers are descending on Moscow, crowding out the few luxury hotels and circling anxiously round the overburdened ministers and officials. The International Monetary Fund Continued on Page 20

Yeltsin vows to keep Russian control of Chechen-Ingushetia, Page 2

World News

US to speed development and approval of new drugs

Procedures for approving new drugs and medicines in the US are to be partly privatised in a move to cut years off the time it takes for a pharmaceutical company to bring a drug from the laboratory to the patient. Experimental treatments for conditions such as Aids are likely to be developed more quickly. **Page 20**

Date for S Africa meeting

All-party talks on South Africa's first non-racial constitution are expected to begin on November 29, African National Congress president Nelson Mandela said. **Page 4**

Threat to health drink

British police arrested 10 people after uncovering a plot by suspected animal rights activists to contaminate bottles of Lucozade, a health drink manufactured by SmithKline Beecham. More than 5m bottles are being withdrawn from shops. **Page 7**

Irish reshuffle

The Irish cabinet has been reshuffled after last weekend's failed challenge to Charles Haughey's leadership of the Fianna Fail party. **Page 2**

Mid East talks venues

The US and the Soviet Union plan to host the next stage of the Middle East peace talks in two parts in or near their respective capitals, according to Arab officials. **Page 4**

Afghan peace hope

A team representing Afghan Mujahideen guerrillas met Russian Vice-President Alexander Rutskoi in Moscow and is considering Soviet proposals for ending Afghanistan's 13-year-old civil war.

Ghana elections pledge

Ghanaian leader Jerry Rawlings, who banned party politics after taking power in a 1981 coup, has agreed to set up an independent body to oversee next year's multi-party elections.

Bank robbers killed

Three bank robbers carrying automatic rifles were shot dead by police, a fourth was critically wounded and a fifth was arrested after a tip-off about an attempted raid on a central Johannesburg bank.

Politicians under attack

Italian bishops have attacked the country's political system, accusing politicians of declining standards. **Page 2**

Toronto's woman mayor

June Rowlands, 67, became the first woman mayor of Toronto, Canada's largest city.

Panda twins born

Giant panda Dong Dong has given birth to twins in China. Scientists have yet to establish whether the father is Pan Pan, her partner in China's Wolong nature reserve, or Lin Nan, by whom she was artificially inseminated.

England qualify

England drew 1-1 with Poland in Poznan to qualify for the final stages of the European soccer championships in Sweden next summer. The Republic of Ireland, who as a result could not qualify, beat Turkey 3-1 in Istanbul.

Business Summary

Japan's trade surplus more than doubles to $7.43bn

Japan's trade surplus for October more than doubled from a year earlier to $7.34bn heightening fears of trade friction, particularly with Europe.

The figures prompted the Ministry of International Trade and Industry to call for a cut in interest rates to stimulate domestic demand. **Page 20; Baker optimistic for Asia Pacific, Page 4**

WAGONS-LITS: Disgruntled shareholders are challenging in the Brussels commercial court the FFr2.2bn ($390m) bid for the Franco-Belgian travel company by Accor, the French hotel group. **Page 21**

UK ECONOMY: Stagnating manufacturing output in the third quarter raised grave doubts about government's forecasts of a second-half recovery. **Page 8; Industry sees sign of upturn, Page 8; London stocks, Page 29**

ALUMINIUM Company of America and Alusuisse-Lonza hope to set up a joint company which will invest SFr 300m ($210m) to modernise and expand Alusuisse's aluminium operations in Switzerland. **Page 23**

SIEMENS, German electrical and electronics group, announced a 7 per cent rise in annual net profits to DM1.8bn ($1.1bn), despite a continued heavy loss at its newly-acquired Nixdorf operation. **Page 21**

RHONE-POULENC, state-owned French chemicals group which this week announced plans to restructure its UK operations, saw pre-tax profits increase by 7.4 per cent to FFr3.55bn ($630m) in the first three quarters of the year. **Page 21**

YAMAHA Motor, Japanese motorcycle and motor manufacturer, reported a 13.1 per cent fall in interim pre-tax profits to Y5bn ($38.6m) and blamed the decline on currency fluctuations. **Page 23**

NORWAY'S leading commercial banks are being forced to diversify into selling frozen salmon in an attempt to recover loans of up to NKr5bn ($780m) made to the beleaguered fish farming industry. **Page 22**

FRANKFURTER Allgemeine Zeitung, leading quality German newspaper, is to invest DM150m ($92.5m) in a new printing plant for its recently-acquired Märkische Allgemeine newspaper in Potsdam, east Germany. **Page 22**

NIPPON Life Insurance, Japan's largest life insurer, is to acquire New England General Life Insurance, a US shell insurance company based in Delaware. It will be the first Japanese life insurer to sell its own products in the US. **Page 25**

SULZER Brothers, Swiss engineering group, warned that 1991 consolidated net earnings would be "considerably lower" than last year's record SFr155m ($107m). **Page 22**

NIPPON Seiko, leading Japanese producer of ball-bearings, was hit by production costs and interest rates to return interim net profits down to Y4.71bn ($36.5m) from Y6.95bn. **Page 23**

Rise in US wholesale prices hits markets

By **Michael Prowse** in Washington

AN UNEXPECTED jump in US wholesale prices jolted Wall Street yesterday. The Labour Department said the producer price index for finished goods rose 0.7 per cent last month – the biggest increase since last autumn when higher oil prices caused a temporary rise in inflation.

Bond prices plunged on the news but, by early afternoon, the benchmark long bond had recovered some ground and stood just over a full point down at $101\frac{11}{32}$ to yield 7.877 per cent. Rising bond yields unsettled equity investors, pushing the Dow Jones Industrial Average down 13.86 to 3,040.25 at mid-session.

Analysts said a renewed acceleration of inflation was unlikely in a weak economy. However, the jump in wholesale prices embarrassed the Federal Reserve, which last week justified a ½ point cut in the discount rate to 4.5 per cent by pointing to "abating inflationary pressures". Fed officials indicated the figures were an aberration and said they would not influence future policy.

But the jump in prices may fuel criticism that the Fed, in reacting quickly to political pressure for lower interest rates, may have jeopardised progress in the long-term fight against inflation. One Fed governor, Mr Wayne Angell, opposed the discount rate cut on the grounds that it would raise fears about inflation.

Consumer price figures, due out today, will be scrutinised for signs of a deteriorating trend. But the consensus view is that they will rise by only about 0.2 per cent. Consumer price inflation is expected to average about 3.5 per cent over the next year.

The price jump puzzled analysts because no single sector could be identified as the culprit. Energy and food prices accounted for some of the increase, rising by 1.7 per cent and 0.4 per cent respectively.

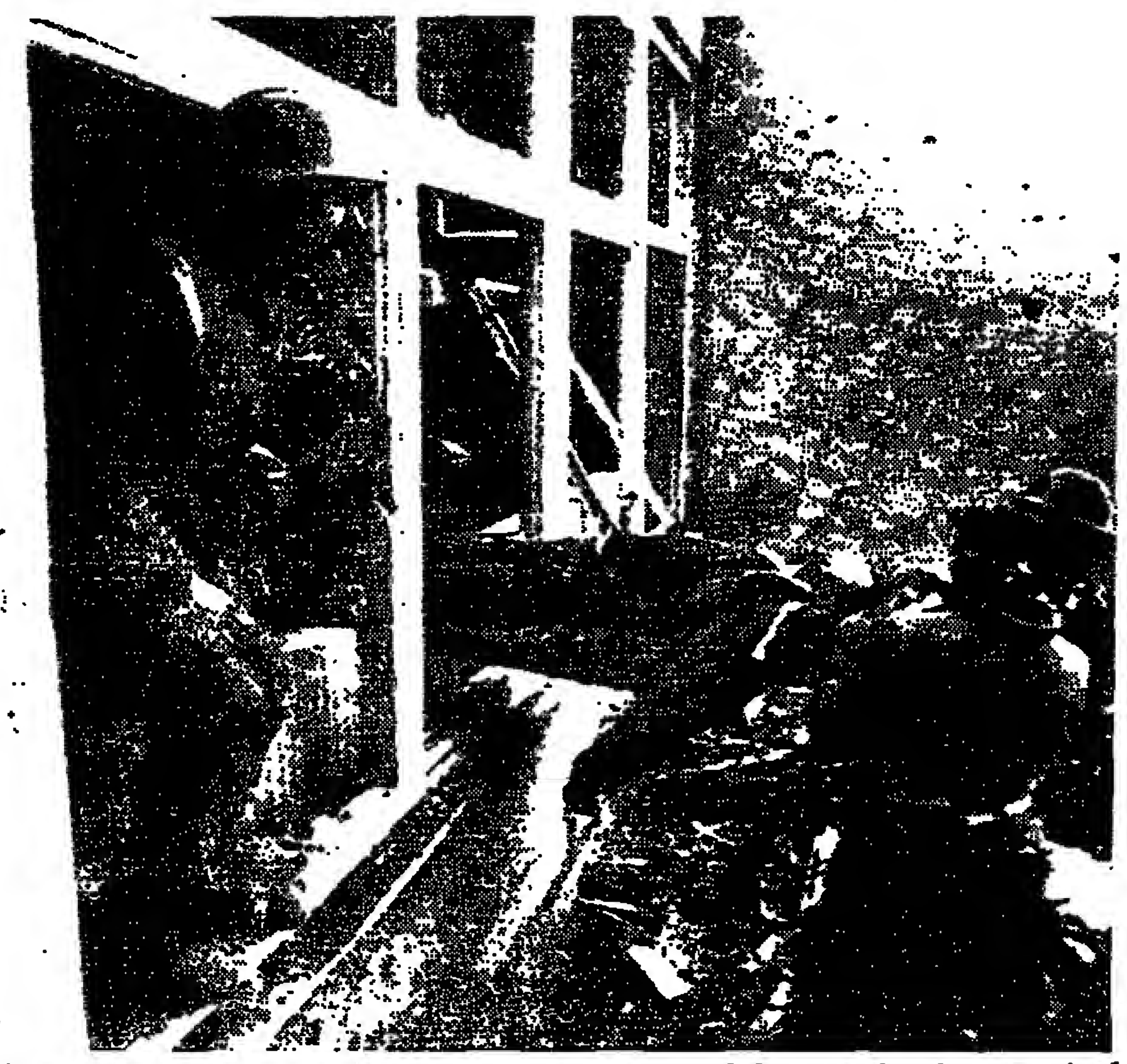
But the closely watched "core" producer price index, which excludes these volatile elements, rose 0.5 per cent – the sharpest increase since January and worryingly high given weak demand. Core consumer price inflation has also been disturbing high, with the index rising by 0.4 per cent for four months running.

Mr Edward McKelvey, an economist at Goldman Sachs, the New York investment bank, said the figures prompted "shock followed by disbelief". Core producer prices rose 0.2 per cent in August and were flat in September.

Government bonds, Page 24
World stocks, Page 37

Yugoslav talks show progress

By **Laura Silber** in Belgrade



Hope amid the rubble: Serbian soldiers carry a wounded companion from a ruined house in the besieged eastern Croatian city of Vukovar yesterday

TALKS to end the fighting in Yugoslavia made "considerable progress" yesterday, Lord Carrington, chairman of the European Community-sponsored peace conference, said in Belgrade.

"I think we made considerable progress and I'm going to see [Defense Minister Veljko] Kadijevic tomorrow morning. But I'm quite encouraged by my talks here this evening," Lord Carrington said. He will then travel to the ethnically-mixed central republic of Bosnia-Hercegovina.

But diplomats said wide differences remained on how to implement a ceasefire. So far 12 ceasefires have collapsed amid mutual accusations of violations of the agreements.

As the talks opened, there were reports of continued fighting in Croatia, particularly around the besieged eastern town of Vukovar. In the medieval city of Dubrovnik, federal army troops and Croat forces appeared to be honouring the latest ceasefire, allowing evacuations to take place.

Earlier, Lord Carrington, former British foreign secretary and Nato secretary-general, had declined comment after a 90-minute meeting with Croatian President Franjo Tudjman in southern Austria. But he seemed buoyant after two hours of talks with Serbian President Slobodan Milosevic in Belgrade.

He told reporters his talks with Mr Milosevic included discussion of a lasting "ceasefire and the peacekeeping force, which would go together".

Lord Carrington's party, which includes Mr Henri Wijnaendts, the special EC envoy in Yugoslavia, is attempting to establish a ceasefire, discuss the deployment of United Nations peacekeeping troops and consider a plan for carrying out the peacekeeping operations.

Croatia and Serbia have separately appealed for UN peacekeeping troops. But they disagree on where the troops would be positioned.

Mr Mario Nobilo, an adviser to Mr Tudjman, said after the talks that an international peacekeeping force was a "realistic possibility" but declined to give further details.

But a western diplomat said: "Lord Carrington will try to develop the plan for UN troops. But there must be a peace to keep before peacekeeping troops are deployed anywhere."

Yesterday the besieged eastern Croatian city of Vukovar, on the Serbian border, was again under attack.

Tanjug, the Belgrade-based news agency, said fighting continued along the main motorway linking Croatia and Serbia, which has been closed since August.

Eyewitnesses described the centre of Vukovar as "ghostly and gutted" after three months of vain attempts by Serb rebels and federal forces to capture it. In Dubrovnik, the Serb-dominated federal army agreed to lift its naval blockade to allow the Slavija, a relief ferry, into the port to evacuate EC monitors and foreign nationals trapped there by the Yugoslav army and navy.

The Slavija may also evacuate local women and children who, with 50,000 others, have been under siege for the past 43 days.

The federal army began withdrawing from the Jastrebarsko barracks, southwest of Zagreb, after Croat authorities lifted the blockade round the garrison.

Hatreds defy hopes, Page 20

Britain still at odds with partners on future of EC

By **David Buchan** and **Ronald van de Krol** in Noordwijk

BRITAIN is still at odds with most of its EC partners on the broad philosophy, and many details, of the European Community's future development.

This emerged at the end of two days' bargaining by the Twelve's foreign ministers, which nevertheless produced a firm, though partial, agreement on new law-making powers for the European parliament.

A British concession made this possible. A determined effort by Mr Douglas Hurd, the UK foreign secretary, to excise the words "federal goal" from th draft treaty's preamble prompted a debate over the extent to which European integration should develop through the EC, or, as the UK insisted, equally through co-operation among governments.

Mr Hans van den Broek, the Dutch foreign minister and the current EC president, suggested the word federal could come out of the treaty, but said Britain would have to "pay a price", in terms of accepting the underlying integrationist aims of the treaty.

"There are those around the table who believe in integration [through the EC] as the only worthwhile way for Europe to progress," Mr Hurd said. "If they insist, there won't be an agreement".

But Mr van den Broek said that "the willingness of all delegations to negotiate and to discuss compromise solutions and possible trade-offs", constituted a significant step towards success at next month's Maastricht summit.

The Dutch president ticked off a number of minor accords – on slimming down the number of EC commissioners, on parliamentary approval of incoming Commissions and on raising the number of German MEPs by 18 to reflect unification, and on European Court of Justice finds on governments which do not implement EC laws.

The vexed issue of a future EC defence policy was brought "closer to agreement", the Dutch minister said, in contrast to the question of taking foreign policy decisions by majority vote, on which there was still disagreement.

The heaviest bargaining came on the issue of new EC competences to be written into the EC treaty, and the related questions of what policy areas should be settled by majority vote in the Council of Ministers and of where the European parliament should get equal law-making power to that of governments.

The first day's euphoria among Britain's partners that the UK was ready to accept some co-decision rights for Strasbourg MEPs began to evaporate as fundamental differences emerged between the UK and Germany over policies subject to this co-decision.

'Ecu zone', Page 3
German attack, Page 3
An odd couple, Page 24
Contest, Page 8

CONTENTS

MARKETS

North Korea's nuclear plans prompt international fears

South Korea, Japan, China and the US fear the growing threat of North Korea's nuclear capability – a threat compounded by the unpredictability of the country's self-proclaimed Great Leader, Kim Il Sung (left) **Page 4**

STERLING
New York lunchtime:
$1.7762
London:
$1.771 (1.773)
DM2.905 (2.90)
FFr9.9175 (9.9075)
SFr2.5725 (same)
Y230.5 (229.75)
£ index 91.2 (same)

GOLD
New York Comex Dec
$357.3 (356.7)
London:
$356.2 (355.2)

N SEA OIL (Argus)
Brent 15-day Jan
$21.225 (+0.15)

Chief price changes yesterday: Page 21

DOLLAR
New York lunchtime:
DM1.634
FFr5.5825
SFr1.4485
Y129.95
London:
DM1.64 (1.635)
FFr5.60 (5.5875)
SFr1.4525 (1.4505)
Y130.1 (129.6)
$ index 63.5 (63.4)
Tokyo close:129.98
US lunchtime rates
Fed Funds: $4\frac{15}{16}$%
3-mo Treasury Bills:
4.742%
Long Bond:
$101\frac{11}{32}$
yield: 7.877%

STOCK INDICES
FT-SE 100:
2,546.5 (-29.0)
FT-SE Eurotrack 100:
1,104.9 (-1.82)
FT-A All-Share:
1,229.01 (-1.1%)
New York lunchtime:
DJ Ind. Av.
3,039.8 (-14.31)
S&P Comp
394.87 (-1.87)
Tokyo: Nikkei
24,416.23 (-251.5)

LONDON MONEY
3-month Interbank:
$10\frac{13}{32}$% ($10\frac{11}{32}$%)
Liffe long gilt future:
Dec $95\frac{17}{32}$ ($95\frac{7}{16}$)

Haughey reshuffles Irish cabinet

By Tim Coone in Dublin

BIG changes have been made in the Irish cabinet in the wake of last weekend's failed challenge to Mr Charles Haughey's leadership of the Fianna Fail party.

Most senior cabinet posts have been reshuffled, although two Haughey stalwarts held on to their important portfolios – Mr Gerry Collins the foreign minister and Mr Ray Burke, the justice minister.

Mr Bertie Ahern has moved to the Finance Ministry from Labour, replacing Mr Albert Reynolds whom Mr Haughey sacked last week. "I will be following the work done by Albert Reynolds," Mr Ahern said yesterday. "There are no differences between him and myself." He added that he planned "a tough budget" for 1992.

Along with Mr Reynolds, Mr Ahern was a key figure in negotiating in 1989 the programme of economic and social progress which has to be renegotiated with the trade unions in next few the months. He also took part in negotiations to draw up the government programme with the Progressive Democrats, junior partners in the coalition.

The most controversial cabinet appointments are the promotion of two relatively unknown and inexperienced backbenchers, Mr James McDaid and Mr Noel Davern, over the heads of junior ministers. They will fill the defence and education portfolios respectively.

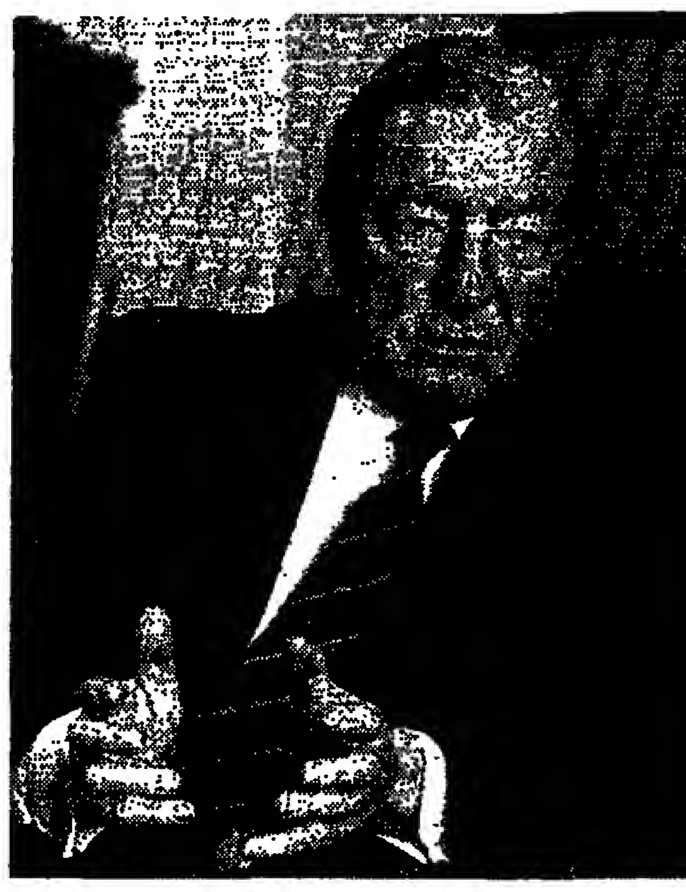
Mr Padraig Flynn, the dissident environment minister was also fired and his job has been given to Rory O'Hanlon, minister of health for the past four years. Ms Mary O'Rourke, another hopeful in the Haughey succession stakes, moved from education to health.

In announcing the reshuffle, Mr Haughey said: "It is our paramount duty to implement the new comprehensive programme for government and to concentrate our full attention on the many important problems and issues facing the nation."

He identified the forthcoming Maastricht summit, the 1992 budget, the PESP renegotiations and political progress in Northern Ireland, as being priority issues for his new cabinet. Mr Haughey outflanked the rebels at a weekend party meeting. He insisted on an open ballot and won by 55 votes to 22, seeing off the fourth challenge to his leadership in a decade.

With the government trailing in opinion polls, the cabinet reshuffle was designed to rejuvenate the party and boost morale after the bruising leadership battle that showed one in three deputies wanted Mr Haughey, 66, to step down.

Mr Haughey's own popularity has slumped to an all-time low. He has been criticised for his handling of a string of financial scandals in state companies and the once flourishing economy is now stagnant.



Haughey: reshuffle designed to rejuvenate the party

Italian bishops attack declining standards

By Robert Graham in Rome

ITALIAN bishops have come out with a sharply worded attack on the country's political system and declining political standards.

The attack is unprecedented both in its scope and for the hard-hitting tone of its language. It reflects the Church's concern over the politicians' inability to prevent a rapid erosion of the state's institutions.

It was contained in a pastoral prepared by the peace and justice commission of the Italian bishops' conference. Although first discussed in September it has only been released this week.

This was reportedly because the bishops did not wish the pastoral to coincide with a statement in October calling on Catholics to rally behind the political party that represented Catholic values.

At the time this call provoked an outcry among politicians who regarded it as a direct interference in the political process in favour of the ruling Christian Democrats. However Church spokesmen said it was conceived in the broader context of Catholicism confronting the post-communist world.

This interpretation appears to have been borne out by the pastoral which puts the Christian Democrat-led coalition government directly in the dock.

The document talks of the political parties become ever weaker and "ever less able to listen to people's real needs to produce coherent programmes and construct durable development".

It says the politicians have become so obsessed with the manipulation of power and office that on occasions they have degenerated into mere "employment agencies".

Such a situation risked infecting the entire social fabric because of the "lack of clear and legitimate rules of conduct". The pastoral claimed that the law had come to express the needs of those social groups with the most power.

It was even more critical of the way parliament had been reduced to the role of ratifying agreement concocted by interest groups outside the chamber.

It also maintained that too many laws were being produced on a plethora of minor matters confusing the lives of ordinary citizens while fundamental issues were being ignored. Finally the bishops raised their voice of alarm over the spreading power of organised crime and the extent to which criminal activity had undermined people's faith in the law.

Members of the ruling Christian Democrat party have publicly welcomed the document, arguing it underlines their own calls for institutional reform but opposition politicians yesterday claimed the church's indictment of the political system would harm the Christian Democrats.

The stance taken by the Italian bishops appears part of a more robust approach to political and social issues in the run-up to a major three week Vatican conference on the Church's future role in eastern Europe which begins on November 24 in Rome.

Bank of Spain cuts intervention rate

THE Bank of Spain yesterday cut its official intervention rate by 10 basis points to 12.5 per cent, the fifth interest rate reduction this year, following evidence that Spanish inflation is falling, writes Peter Bruce in Madrid.

The October consumer prices index rose just 0.6 per cent, drawing annual inflation down to 5.5 per cent, more than a full point below the October 1990 figure and within striking distance of the government's 5.3 per cent annual target.

The bank's failure to match market expectations of a deeper interest rate cut follows a small increase in underlying inflation in October, to 6.2 per cent for the year. That probably explains why the Central Bank failed to meet some market expectations for a deeper interest rate cut. Some economists were warning yesterday that stubborn underlying inflation and a relatively expansive 1992 budget made further interest rates cuts unlikely until well into next year.

This pessimism was reinforced yesterday by a 13 per cent rise in the broad money supply measure – well above target – and a sharp rise of 60,000 people unemployed last month.

Nevertheless, the Spanish interest rates are, to an extent, being dictated by the markets and further small falls might be necessary soon if foreign interest in Spanish government bonds tails off.

Portugal's inflation rate slows further

Portuguese inflation slowed in October for the fourth consecutive month, taking the annual rate to 9.8 per cent, writes Patrick Blum in Lisbon.

It is the first time since July 1988 that the annual rate has dropped below 10 per cent. Prices in October rose only 0.7 per cent, following a slowing in price rises for food and drinks compared with a rise of 1 per cent in October 1990.

Portugal wants to take the escudo into the exchange rate mechanism of the European Monetary System in 1992, but officials say this will be possible only when inflation has been brought closer to the European average.

The figures suggest the government's target of an average annualised rate of 11.5 per cent for 1991 will be achieved.

The social democratic administration has made fighting inflation its top priority, and Mr Anibal Cavaco Silva, the prime minister, has promised to bring the annual rate down to single digits next year.

French action on illegal immigrants

The French government yesterday approved measures to penalise airlines and other transport carriers bringing illegal immigrants into the country, Reuter reports from Paris.

Mr Philippe Marchand, interior minister, said the cabinet approved a proposal allowing the state to fine carriers up to FFr10,000 ($1,770) per violation for bringing in immigrants lacking proper documents.

Immigration, blamed by many on the right for exacerbating France's economic woes and social unrest, has been one of the country's most sensitive political issues and one the Socialist-led government has been unable to ignore.

Earlier this year Prime Minister Edith Cresson risked the wrath of the left by proposing special charter flights to send illegal immigrants back home.

Yeltsin vows to keep Russian control of Chechen-Ingushetia

By Chrystia Freeland in Moscow

MR Boris Yeltsin, the Russian president, yesterday said Russia would never surrender the breakaway autonomous republic of Chechen-Ingushetia.

"One barrier we will not agree to cross – that is the unity of Russia," he told Die Zeit, the German newspaper, before a visit to Bonn next week. "That means Chechen-Ingushetia is part of Russia."

This was Mr Yeltsin's first public comment since the Russian parliament refused to support his effort to bring Chechen-Ingushetia to heel by enforcing a state of emergency in the autonomous republic.

The Russian leader said his republic must be prepared to fend off Moslem fundamentalism, which he believes plays a large role in Chechen-Ingushetia's independence drive.

The stand-off in the Caucasian region of Chechen-Ingushetia continued yesterday as Chechen civilians manning a net of defence posts organised by the republic's Defence Committee showed no signs of backing down.

At a post on the Stavropol-Astrakhan highway in the sensitive area near the Russian border, rifle-toting farmers sipped tea and prepared to block the path of Russian troops with tractors.

"We will not go home because we do not trust the Russians," said 28-year-old Idris Saralapov.

"We know in our souls that as soon as we leave our post, Russia will return. Russians have been drinking our blood for 50 years – we will not surrender now."

The defence network is ad hoc, but effective. Just hours after Mr Yeltsin issued his state of emergency decree, Chechens seized a military airport used to train cadets near the northern village of Kalinovsky by blocking the runway with 40 tractors. Not a single aircraft has landed or taken off since.

● Reuter adds: Mr Yeltsin told Die Zeit that his efforts to hand the former East German leader, Mr Erich Honecker, back to Germany to stand trial are being blocked by President Mikhail Gorbachev.

"Honecker has made no request for political asylum. And you (Germans) have certain claims to him. But there is a problem, a moral problem, between Gorbachev and Honecker."

Mr Yeltsin said Mr Honecker was obstinately resisting efforts by Moscow to persuade him to return voluntarily.

Mr Honecker, East German leader for almost two decades until forced to resign by popular protests in October, 1989, was spirited to Moscow by the Soviet army in March this year without the assent of German authorities.

EC reassures third world on aid

By Robert Graham in Rome

THE EC yesterday sought to reassure poor third world nations that their aid requirements would not be forgotten despite new and pressing commitments towards eastern Europe.

Speaking to ministers at the biannual meeting of the Food and Agriculture Organisation (FAO) of the United Nations, Mr Ray MacSharry, the EC agriculture commissioner, said aid to the third world had not been cut and in the case of Africa had even been increased this year.

"We have heard fears expressed that our important efforts in assisting central and eastern Europe as well as the Soviet Union could lead to a reduction in our assistance to developing countries," Mr MacSharry said. However, he insisted: "This is clearly not the case. Not only have we kept up earlier assistance levels but, in the case of food aid, we have this year even increased the level of emergency assistance to Africa."

MacSharry: pointed to increased aid for Africa

A number of delegations at the FAO meeting have voiced concern that the urgent and still largely unquantifiable demands for financial and food aid, especially coming from the republics of the former Soviet Union, would oblige the EC to be more selective elsewhere.

Yesterday Mr MacSharry also underlined the EC's commitment by announcing that the Community had applied to become a formal member of FAO.

This entails altering the UN organisation's charter. However, the necessary changes are now being worked on and could be completed by the weekend.

In June 1991 the Commission signed a framework agreement with the FAO to increase co-operation both in the area of policy review and field activities.

Geremek gives up efforts to form new government

FORMER Solidarity adviser Mr Bronislaw Geremek gave up his efforts to form a government yesterday and outgoing Prime Minister Jan Krzysztof Bielecki immediately said he was ready for a second term, Reuters reports from Warsaw.

Political sources said President Lech Walesa was likely to nominate Mr Bielecki to try to form a government today.

Mr Bielecki's free-market Liberal Democratic Congress (KLD) party has been involved in the past few days in parallel talks on forming a rival centre-right government while simultaneously holding negotiations with Mr Geremek.

Mr Geremek, considered one of Poland's shrewdest politicians, gave up his attempt five days after Mr Walesa asked him to form a government to continue tough economic reforms begun by Solidarity in 1989.

He told reporters he failed because other parties rooted in the Solidarity movement, including Mr Bielecki's KLD, refused to discuss clearly a political and economic programme for the new government.

Mr Geremek's Democratic Union (UD) emerged from last month's elections as the biggest party in the deeply fragmented parliament.

But he is viewed with suspicion by other pro-Solidarity parties which hold him responsible for a 1989 agreement under which ex-communists dominated parliament until the election.

The October 27 election produced a parliament so split that politicians face a baffling puzzle in trying to forge a lasting majority coalition. The Sejm (lower house) has 29 political groups, none of which won more than 12 per cent of the vote.

Parties originating from Solidarity hold a theoretical majority but they, too, are split both over whether to campaign against ex-communists and whether to pursue the economic reforms which have brought widespread hardship and unemployment.

About 70 per cent of the deputies who won seats in the Sejm represent parties which campaigned on platforms criticising reforms and demanding a change of direction.

Mr Geremek accused Mr Bielecki's KLD of lack of clarity in his negotiations with them and said the Centre Agreement (PC) rejected his offer.

"I asked the UD, PC and KLD for a pact on the government, for a clear description of the economic and political programme and for a joint appeal for support from the pro-reform forces in parliament," he said. "The PC rejected the proposal and KLD presented an unclear position....in this situation I came to the conviction that I cannot undertake the proposed mission."

PC leader Mr Jaroslaw Kaczynski, whose party wants a purge of ex-communists from public life, walked out of coalition talks with Mr Geremek yesterday.

In a statement read by his spokesman, Mr Walesa indicated that he considered Mr Kaczynski's behaviour irresponsible. However, the PC is expected to be at the core of any centre-right alliance headed by Mr Bielecki. Other parties that have also been involved in talks are the church-backed Catholic Electoral Alliance (WAK) and the Confederation for Independent Poland (KPN).

Mr Bielecki had presented a tough programme of continued free market reforms drawn up by the KLD as the basis for the proposed programme of the new government.

He told a news conference the government should not fulfil promises to ease up on the reforms that were made by parties during the election campaign, saying this would lead Poland to chaos and anarchy.

"The KLD is not thinking of submitting to the pressure of election promises but wants to talk about a vision for Poland which is the only chance for our country," Mr Bielecki said.

Poles charged in financial scandal

Christopher Bobinski and Hugh Carnegy on an alleged $360m fraud

POST-COMMUNIST Poland's biggest financial scandal has taken a fresh turn as the Warsaw prosecutor's office this week charged the two former owners of Art-B, the controversial Polish financial company, with defrauding the state of at least $360m.

The two men, Mr Janusz Gasiorowski and Mr Boguslaw Bagsik, left for Israel last August. According to the prosecution's case as reported on state television, they are accused of "using a flow of bank documents" to pull off an alleged crime which has thrown into sharp relief the weaknesses of Poland's banking system. The charges follow a five-month investigation since a police raid on Art-B offices throughout the country on August 7.

The missing sum of Zl4,242bn ($360m) represents the company's debts when its financial operations collapsed at the end of July and Art-B was handed over to the private Bank Handlowo Kredytowy (BHK) in Katowice, its main creditor at that time.

The burden of Art-B's debts has since overwhelmed the BHK, forcing the National Bank of Poland, the central bank, initially to put BHK into receivership and then suspend its management at the end of October. In an unprecedented move for Poland's fledgling private banking sector, the NBP also agreed to save BHK from collapse and cover Art-B's debts as they fall due.

The latest news on what could turn out to be Poland's largest fraud was tucked away among the television news reports on President Lech Walesa's tortuous efforts to form a new government.

Resentment at the ostentatious lifestyle of the new rich and scandals such as Art-B and another involving illegal sales of Polish foreign debt on secondary markets, contributed to the voter apathy which characterised last month's elections and could have further unpredictable political consequences.

The company's links with the present ruling establishment and with Israeli businessmen could fuel latent anti-semitism and could make the case a political time bomb.

Local newspapers have reported that both President Walesa and Mr Tadeusz Mazowiecki, his main rival in the presidential election campaign a year ago were among politicians who received campaign contributions from Art-B's former owners. President Walesa appealed a few weeks ago in a television interview for "Polish patriots" to bring Mr Bagsik home.

Poland and Israel, whose citizenship Mr Bagsik now holds, do not have an extradition treaty.

Top banking officials say that $200m was taken out of the country by the company's owners before they left, charges denied this week by a spokesman for the two men in Israel.

Art-B still has Zl850m on deposit in Polish banks while the former owners state optimistically from their refuge in Israel that its fixed assets and shares in Poland are worth another Zl1,277bn ($115m).

Last summer the two men who founded Art-B as a small trading company in February 1989 worked out an ingenious computer-based system to take advantage of high interest rates and the notorious slowness of the commercial bank clearing system to set up a pyramid of deposits in different banks.

They used a helicopter to fly around the country depositing the same borrowed funds with different banks at the same time and collecting the interest. This was not illegal under existing banking laws. But the entire operation was allegedly based on credit guarantees of dubious value issued by the state-owned PKO BP savings bank. It is these latter operations which are at the heart of the prosecutor's case.

The affair has already seen the arrest of Mr Grzegorz Wojtowicz, the former head of the central bank on charges of negligence and his deputy Mr Wojciech Prokop who was allegedly involved in issuing the credit guarantees. Six other bank officials have been under arrest since August.

The number of cheques in constant movement in the so-called "cheque-kiting operation" helped obfuscate the scale of borrowing. Foreign bankers here note that similar "kiting" operations were once a feature of the poorly regulated Israeli banking system in the early years of the fledgling state.

Europe aims for big leap in computing

By Andrew Fisher in Frankfurt

A GROUP of European companies, including Daimler-Benz of Germany, Inmos of Britain, and CASA of Spain, is combining with universities and research institutes to develop high-performance computing systems for European industry.

The aim is to establish a strong competitive lead over the US and Japan, although industry observers point out that advanced systems of the kind proposed already operate in both these countries.

The initiative will be launched tomorrow in Konstanz, Germany, by the 16 founding members to try to attract other companies in Europe which want to develop more powerful computing technologies for their products. European Commission co-operation will be sought.

Known as Ei3, the initiative is based on parallel computing in which many micro-processors work in concert to solve a problem by breaking it up into different parts. "European programmes and projects have successfully acquired a technological edge in the parallel processing field," Ei3's liaison office said.

"The European technological edge has to be turned into an industrial advantage," it added. As well as Daimler's own research institute, the group's AEG Electrocom subsidiary and its Dornier engineering unit are also involved, as is Telefunken Systemtechnik (part of Deutsche Aerospace, owned by Daimler). Piraiki-Patraiki, Greece's biggest weaving company, is also a member.

The computing needs of the user companies cover products and applications such as letter sorting machines (AEG), traffic surveillance and control systems (Telefunken), textile quality assurance (Piraiki), flight simulation (CASA), medical examination equipment (Dornier), and technical documentation systems (Daimler).

Among the initial members on the research and development side is Inmos, owned by SGS-Thomson, the French-Italian concern. Inmos has had a strong influence on the development of parallel processing, as has Parsytec, a German member of the initiative.

CAP Gemini, the French software house in which Daimler-Benz owns a big minority stake, is also involved in Ei3, along with TNO, the Dutch research institute, Fraunhofer, an independent German research body, HITEC, a Greek software house, and INESC, a Portuguese research organisation.

On November 27, the project will be formally presented in Brussels at a conference of the European strategic programme for research and development in information technology.

Ei3 will cover the range of computing equipment and services from hardware to software. The aim, said Ei3's statement, made through AEG Electrocom, which is playing a co-ordinating role, is to "enable European industry to reduce the dependency on US and Japanese technology sources".

In search of clearer legal base for EC activities

By David Buchan in Noordwijk, Netherlands

NEWSPAPER readers may be forgiven for being baffled after learning that Britain objects to the EC getting "new competences" in areas like health while in the same week EC health ministers met in Brussels to discuss restrictions on tobacco advertising.

Much of the confusing debate arises from the desire of the majority of EC states to put existing Community activities on to a clearer legal footing in the EC treaty. In short, they are pouring old wine into new bottles.

The European Commission generally faces two legal constraints at present when it comes up with new plans on industry, energy, infrastructure, health, education and consumer protection in the quest for greater European integration.

Its proposals must be justified either under Article 235 (a catch-all clause that allows the EC to do anything provided all its members agree), or Article 100A (which allows measures related to the internal market to pass by majority vote).

The hope of many EC states – and Britain's fear – is that by giving each of these policy areas a separate little chapter in the new treaty, the Commission will be spurred on to making more proposals. In addition, it would no longer need to go through the legalistic contortion of having to tie its proposals to the internal market in order for them to become law on a majority verdict. The argument is most acute on, but no means confined to:

COUNTDOWN TO MAASTRICHT

● Industrial policy. Despite the fact that the overwhelming part of EC laws bears on industry, nowhere in the current EC treaty is it treated as a distinct policy area. Instead, the constitutional base of EC industrial policy is a series of clauses on competition, high-technology research, and training – and that's the way the UK, in particular, wants it to stay.

The Dutch treaty draft, however, has an industry chapter, calling for the EC to promote structural change, to help small and medium-sized companies, to encourage technical innovation by business. This is pruned down from the French-inspired text in the earlier Luxembourg presidency draft, but still is too interventionist for the UK.

"We don't want to give the Commission a clear legal base to come up with an industrial adaptation fund that could be approved on a majority vote," explained a British official yesterday, with Brussels' plans for the car and electronics sectors in mind.

● Consumer protection. Last month an EC directive on product safety was passed by the Council on a majority vote, because it related to goods being traded across Community borders. But "we do not want the EC to set up a network of consumer advice offices, as some southern states would like, and expect us to pay for it," said the UK official.

● Energy. The original Euratom (nuclear power) treaty makes this an area of unquestioned Community competence. But still, most measures, like recent liberalisation of gas and electricity transit, have to be tied to the internal market rationale if they are to pass the Council on a majority. Giving energy its own treaty chapter might allow oil-rationing contingency plans to be nodded through on a majority, the UK fears.

● Trans-European networks (TENs). Again, the EC has long dealt piecemeal with transport and telecommunications. But to have these TENs written into the treaty – at the request of France which wants to promote its high-speed trains and broad band telecoms – conjures up, to the British, the spectre of Brussels Gosplanners dreaming up giant new infrastructure schemes at the EC taxpayer's expense.

● Health and education would get separate treaty chapters in the Dutch draft. This would not be grounds for harmonising national laws in these areas. But this still goes too far for the UK which believes the only relevant considerations for Community action should be the safety and training of workers, not the general citizenry of Europe.

German attack on wider industrial powers for Community

By Andrew Fisher in Frankfurt

MR WOLFGANG KARTTE, outspoken head of Germany's Federal Cartel Office, has hit out strongly at French-inspired proposals to give the EC more industrial powers which he said would amount to "an abandonment of the market economy and a move towards a new mercantilism".

He said France was pressing for new EC treaty regulations giving the Council of Ministers the power to decide on measures which would benefit "future-oriented" industries. These would be decided by majority vote on the basis of European Commission proposals.

The new rules would also ease industries' adjustment to structural changes and promote industrial co-operation. The French proposals amounted to "the doping of large national or European industrial champions" to give them an unfair advantage, he said. This would lead to a run on the Commission's finances and on Germany's own stretched budget.

Mr Kartte said the French idea to push the EC into a more interventionist approach to industry was broadly supported by the southern European nations – Italy, Greece, Spain, and Portugal – but was opposed by the UK, Ireland, Denmark, and the Netherlands. He would also like the German government to show stronger opposition and has written to Mr Jürgen Möllemann, its economics minister, expressing concern over what he sees as the danger to free world trade posed by the plans.

The possibility that new industrial policy goals could be enshrined in the EC treaty "would create a new subsidy trough", he said.

He repeated his concern at the strong opposition to the decision by Sir Leon Brittan, the competition commissioner, to block the bid by Aérospatiale and Alenia, the French and Italian aircraft makers, for De Havilland, the Canadian subsidiary of Boeing of the US. This is the only bid so far blocked by the EC under its competition powers.

Brussels revives anti-fraud proposal

By Andrew Hill in Brussels

A CONTROVERSIAL call by the European Commission for closer co-ordination of criminal action against Euro-fraudsters was discussed yesterday by EC justice ministers.

It is a revival of a 15-year-old Commission proposal to bring member states' punishment of agricultural and customs fraud – in effect, theft from the Community budget – into line.

Although the Commission played down the significance of the debate, it has reawakened the concerns of some countries, notably Britain, that Brussels might begin to tamper with national penal codes if the EC were given greater competence over home office affairs in any treaty on European political union.

The justice ministers – meeting in that capacity for the first time since 1984 – decided to set up a working group to examine the different ways in which EC fraud is punished.

In some countries it is dealt with by means of a fine, in others it is treated as a criminal offence carrying a jail sentence.

"They [the ministers] are all quite aware of the problem of defining where fraud begins and where it stops," said a Commission official yesterday.

The Commission could eventually propose a binding regulation laying down a standard Community-wide punishment for fraud against the EC, but such a move would almost certainly be opposed by Britain.

Less controversially, Brussels could press for gradual harmonisation of different member states' action against Community fraud, or insist that countries punish it in the same way as they punish fraud against national financial interests.

'Ecu zone' for east Europe suggested

By Peter Norman, Economics Correspondent

THE CREATION of an "Ecu zone" for eastern Europe to assist the region's transition to a market-based economy and strengthen its relations with the European Community was urged yesterday by the Association for the Monetary Union of Europe.

The association, a business-backed group promoting Emu, said such a zone would establish stable monetary relations in eastern Europe based on the European currency unit and would facilitate trade between eastern and western Europe.

Under a three-point plan, which borrows ideas from the post-Second World War European Payments Union, the franc zone in Africa and the European Monetary System, the association proposes:

● currency convertibility in east European countries to promote free and open market economies;

● an Ecu zone surveillance board to help provide sound macro-economic policies;

● an Ecu zone exchange rate mechanism linking east European currencies to the Ecu.

The plan calls for a significant pooling of eastern Europe's currency reserves to create a stabilisation fund and the provision of standby credits by the EC to back up currency convertibility.

Eastern Europe's exchange rates would be pegged to the Ecu at competitive rates but be more variable than in the EMS to take account of the different stages of development of east European economies.

The plan, which has won support from the Hungarian and Czechoslovak central banks, could begin operating in 1994. But only Poland, Czechoslovakia and Hungary would qualify for membership at present because it would be limited to countries committed to developing market economies.

The association will present its ideas to Mr Jacques Delors, the European Commission president, on November 28. It said its plan would integrate eastern Europe's trade into the world market while reducing the danger of an external shock for the EC.

"An Ecu Zone to Assist Eastern Europe's Transition to a Market Economy", Association for the Monetary Union of Europe, 26 rue de la Pépinière, 75008 Paris.

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Date for South African talks on constitution

By Patti Waldmeir in Johannesburg

HISTORIC all-party talks on South Africa's first non-racial constitution are expected to begin on November 29, the culmination of years of formal and informal contacts between the African National Congress (ANC) and the government.

Mr Nelson Mandela, the ANC president, said yesterday that the talks were due to take place on November 29 and 30, though an ANC spokeswoman said later that the dates were tentative. The ANC and the government had agreed to the dates, but accord had not yet been reached with the many other political parties and organisations which are expected to attend.

Both Pretoria and the ANC have repeatedly said they are ready to open negotiations on a post-apartheid democratic constitution, giving blacks the right to vote in national elections for the first time.

"We are prepared to sit around the table with everybody who wishes to make a positive contribution towards the success of the conference," Mr Mandela said yesterday. "Whatever attitude [President F.W.] de Klerk takes, we are determined for it to succeed," he added, a reference to the President's recent sharp attacks on the ANC. Each side has stepped up its rhetoric as the date for substantive negotiations has drawn near.

Most miners returned to work yesterday at Impala Platinum in the Bophuthatswana black homeland, bringing a two-day strike at the world's second-largest platinum producer near to an end, AP reports from Johannesburg. At least 35,000 workers struck on Monday at the company's four mines to protest the dismissal of 220 employees for taking part in a protest.

Both sides seem confident that the first session of the long-awaited talks will take place before year-end, even if the November 29 date proves too optimistic. A steering committee of leading political groups is to meet tomorrow to finalise not only the date, but the venue, agenda, convener, participants and other details of the talks.

Besides the ANC and the government, the Zulu Inkatha Freedom party and political parties from so-called black "homelands" are likely to attend, along with the ultra-radical Pan Africanist Congress (PAC), and the liberal white Democratic Party. Right-wing whites and the black militant Azanian Peoples Organisation have so far refused, though they may join later.

E Timor killings probe

By Claire Bolderson in Jakarta

GENERAL Try Sutrisno, Indonesia's army commander, yesterday denied reports that more than 100 people were shot dead by troops in East Timor. He promised an investigation.

General Try expressed regret over the incident in Dili, the capital, but gave no details of casualties.

The military said on Tuesday that troops used force to break up an anti-Indonesian demonstration. Witnesses said the army opened fire on a crowd holding a peaceful memorial ceremony at the grave of a boy shot dead at a church in Dili two weeks ago. Unofficial sources put the number dead at between 20 and 50.

The International Committee of the Red Cross yesterday expressed shock at the "extreme violence" used by the Indonesian security forces and requested immediate access to all people detained.

Portugal, the former colonial power, reacted angrily to the incident, calling for an immediate end to Indonesia's "illegal occupation".

Fears grow as North Korea builds nuclear arms

Weapons programme of unpredictable regime is likely to reach fruition by 1995, **John Ridding** writes

AS the foreign ministers of South Korea, Japan and China and the US secretary of state meet in Seoul this week under the auspices of a regional trade forum they are likely to share a common nightmare.

All are concerned about the growing menace of a North Korean nuclear capability and all are stepping up diplomatic efforts to neutralise what is regarded as the biggest threat to security in north-east Asia.

They are right to be worried. western intelligence officials have little doubt that nuclear installations under construction at Yongbyon, 100km north of Pyongyang, are intended to develop nuclear weapons. They estimate that reprocessing facilities for nuclear fuel will be completed by 1993 and that North Korea will be producing nuclear devices by 1995.

Compounding this concern is the unpredictability of the regime of Mr Kim Il Sung, North Korea's self proclaimed Great Leader.

His government, which ordered the assassination of much of the South Korean cabinet in Rangoon in 1983, and which ordered the bombing of a South Korean airliner in 1987 is perhaps the country the world least wants to have a nuclear device.

China yesterday cautioned against any international attempts to pressure North Korea "...into a corner" over its refusal to accept international inspection of its nuclear programme, Reuters reports from Seoul. A Japanese government spokesman said Qian Qichen, the Chinese foreign minister, told Mr Michio Watanabe, his Japanese counterpart, that "it is not good for many nations to pressure one country into a corner."

In Tokyo Mr Kiichi Miyazawa, the prime minister, told parliament that Japan would urge Pyongyang to comply with a South Korean request to scrap its nuclear fuel reprocessing plant during talks next week on normalising relations between the two countries. Mr Miyazawa said he would instruct negotiators to press the issue during a fifth round of normalisation talks with North Korea to be held in Beijing on November 18 and 19.

An uneasy truce has prevailed on the Korean peninsula since the North Koreans and Chinese on one side and South Korea, the US and the United Nations on the other, fought to a stalemate in the Korean war of 1950-53. Since then, North Korea has never renounced the use of force in its desire to "regain" the southern half of the peninsula.

"Nuclear weapons in North Korea would be so dangerous and destabilising that it would not only threaten the survival of our nation but could in an instant threaten the peace in north east Asia," said Mr Roh Tae Woo, South Korea's president, in a speech last week.

But if the threat is obvious, the solution is not. Over recent months, South Korea and the US have concentrated their efforts on pressuring Pyongyang into accepting its obligations under the Nuclear Non-Proliferation Treaty – to which it is a signatory – and allowing inspection of its nuclear plants.

But North Korea has argued that international inspection is impossible while there are US nuclear warheads in South Korea.

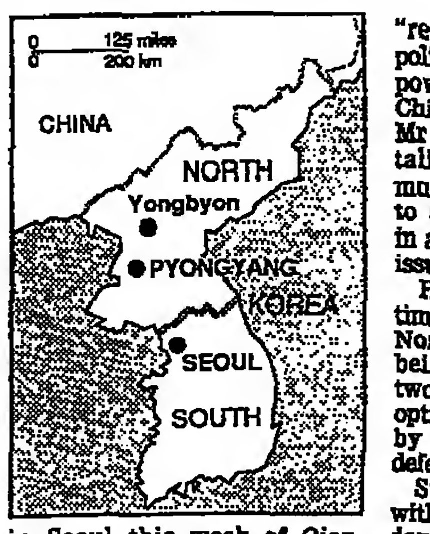
Indications over recent weeks from Washington and Seoul that US nuclear arms will shortly be withdrawn from the south have been met with the response that inspection will not be allowed as long as South Korea remains under the US nuclear umbrella of sea and air-launched warheads.

Pressure is also being applied on Pyongyang through economic levers. The North Korean economy, under severe strain because of collapsing economic relations with former socialist partners, and in particular the Soviet Union, is looking to Tokyo for investment and aid. But Japan insists that diplomatic relations, and the economic benefits which would flow from it, must wait until Pyongyang opens up to nuclear inspection.

So far, however, neither diplomatic pressures nor economic incentives have borne fruit. President Roh's latest initiative, in which he declared last week that Seoul would not deploy or store nuclear arms, was quickly rebuffed by Pyongyang. Japan has extracted similarly few concessions in their contacts with North Korea.

As a result, a number of new initiatives are being developed. Potentially the most important is a more active role of Beijing in international attempts to neutralise the North Korean nuclear menace. Beijing is Pyongyang's closest ally. As such it can bring the greatest leverage to bear.

For this reason, the presence



in Seoul this week of Qian Qichen, the Chinese foreign minister, is seen as having great importance. He is the highest ranking Chinese official ever to visit South Korea.

How far Beijing will go in pressuring its ally in Pyongyang is far from clear, but China is known to be concerned about the destabilising implications of a North Korean nuclear capability.

In a meeting with Mr Lee Sang Ock, the South Korean foreign minister, Mr James Baker, the US secretary of state, expressed concern about North Korea's nuclear weapons programme. He described it as urgent global issue that "requires the diplomatic and political muscle of the major powers". During his visit to China at the end of the week, Mr Baker will attempt to capitalise on these concerns as much as possible and is likely to seek Beijing's participation in a regional forum on security issues in north-east Asia.

However, diplomacy takes time and with the prospect of a North Korean nuclear device being completed in the next two to three years, a military option is also being considered by US and South Korean defence officials.

Such an option is fraught with risk. There is the obvious danger of triggering a wider conflict, while North Korea has means of responding short of full-scale war. In particular, it could launch missile strikes against targets in the South.

A clean strike against the North Korean facilities may also be difficult. "The possibility of an Asian Chernobyl is very real" says Mr Michael Mazarr, fellow of the Centre for Strategic and International Studies.

For these reasons, the onus remains on regional diplomacy. For Mr Baker and his counterparts in Seoul, Tokyo and Beijing, the work at Yongbyon are likely to cause many more sleepless nights.

Daunting task faces Sihanouk on return

By Victor Mallet in Phnom Penh

THE Cambodian government warned yesterday it would be difficult to protect leaders of the extremist Khmer Rouge guerrilla group when they return to the capital in the next few days in accordance with a UN peace plan.

Maj-Gen Sin Sen, deputy interior minister, compared the bitterness about Khmer Rouge atrocities during their reign of terror between 1975 and 1979 to the warm welcome awaiting Prince Norodom Sihanouk, the Cambodian monarch who is due to fly home from Beijing today

"I think it is extremely difficult to guarantee the safety of the Khmer Rouge," he said. "When the people see the Khmer Rouge and their collaborators they will think of what they underwent during the Khmer Rouge regime."

Residents of Phnom Penh seem too busy preparing for the arrival of Prince Sihanouk to think of demonstrations against the Khmer Rouge, although diplomats point out that the 10 bodyguards appointed to each member of the new umbrella organisation known as the Supreme National Council (SNC) would not be enough to protect the Khmer Rouge leaders from a riot.

Maj-Gen Sin Sen, himself a member of the SNC, serves in the Vietnamese-backed caretaker government which will be partially eclipsed by the SNC and the United Nations in the run-up to elections in 1993. He rejected the idea of closing any of the memorials to Cambodians killed by the Khmer Rouge in their brutal efforts to build a collectivist rural society.

Maj-Gen Sin Sen also said that there were "less than 1,000" political prisoners in Cambodia and that they were receiving visits from the International Committee of the Red Cross – an assertion denied by ICRC officials.

His comments reflected the size of the task facing the UN and Prince Sihanouk, who heads the SNC. The UN High Commission for Refugees is embarking on a programme to repatriate 350,000 Cambodians from Thailand, but hundreds of thousands of land mines laid by the various armies and guerrilla factions has made the task difficult.

"The mine problem in Cambodia dominates everything else and it certainly dominates relief work," said Col Colin Mitchell, a British volunteer.

By last night, however, there was already a festive mood in Phnom Penh ahead of 69-year-old Prince Sihanouk's arrival. Balloons were on sale in the square outside the newly-redecorated royal palace, and a huge painting of the prince (pictured as he was 30 years ago) adorned the palace gates.

"Tomorrow morning, it is the new Cambodia," said Mr So Pea, the driver of a "cyclo" or tricycle taxi, as he pedalled through the unlit streets.

An artist puts the final touches to a huge portrait of Prince Sihanouk

Baker optimistic for Asia Pacific

By John Ridding

THE Asia Pacific region will enjoy improved economic performance next year because of stronger growth in the industrialised world, Mr James Baker, US secretary of state forecast yesterday.

In an address in Seoul to the third ministerial meeting of the Asia Pacific Economic Co-operation, a 15-member forum, he also stressed the continuing US commitment to the region.

"America's future lies across the Pacific," he said. "The end of US-Soviet confrontation and the possibility of peace in south-east Asia will allow us to begin to turn a page in history and focus on the new challenges."

Mr Baker said he was encouraged by the performance of the US economy in the third quarter of this year and forecast a modest recovery, from now through next year, for other industrialised economies. He said this would stimulate the economies of the Asia Pacific.

But Mr Baker also urged increased efforts towards market liberalisation among economies of the region. Refusal by South Korea and Japan to allow imports of rice are proving a stumbling block to progress in the Uruguay Round of world trade talks.

Mr Baker, along with Mrs Carla Hills, the US trade representative and delegates from Australia and New Zealand have used the Apec conference as an opportunity to press their demands on agricultural market liberalisation. But South Korea has so far shown no sign of compromise.

In yesterday's opening speech Mr Lee Sang Ock, the South Korean foreign minister, called for a successful conclusion of the Uruguay Round and warned of increasing national and regional protectionist sentiment.

"In this heyday of regional and sub-regional economic grouping, Apec must serve as a model of an open regionalism that can complement rather than undermine the free trade regime," he told delegates.

US restores full ties with Laos as links with Indochina grow

THE decision by President Bush to appoint an ambassador to Laos, announced on Tuesday, follows help from the Lao authorities in tracing American servicemen missing from the Indochina war, and narcotics control, according to US officials, agencies report.

The move is part of a gradual warming of US relations with countries in Indochina. A US ambassador arrived in Cambodia this week, and Washington announced last month that it was ready for talks with Vietnam on diplomatic links.

The US and Vietnam are expected to hold talks in New York next week.

Mr Bush, in a speech to the Asia Society in New York, said Laos had taken steps toward economic and political reform. In August, it adopted a constitution promising free enterprise.

He said the US had entered a "period of healing and constructive co-operation" with Vietnam, Laos and Cambodia and was ready to improve relations.

A Laotian diplomat in Bangkok said about 10 years of negotiations had preceded Bush's announcement.

"It's good news for Laos and for the United States and one more step towards improving relations," he said.

A Vietnamese diplomat in Bangkok welcomed Mr Bush's announcement on Laos, but said it did not bring Vietnam in from the cold.

Vietnam is worried Washington will stick to a four-phase "road-map" linking normalisation of relations with Vietnam to peace in Cambodia and Vietnam's accounting for American servicemen listed as prisoners of war or missing in action.

Under the plan, Washington would not open full diplomatic ties or lift its block on International Monetary Fund and World Bank lending to Vietnam until 1993 at the earliest.

The US lifted its ban on aid to Laos in 1985 and recently increased the number of diplomats to about a dozen.

Mr Bush said: "We envision normal relations with Vietnam as the logical conclusion of a step-by-step process that begins by resolving the problems in Cambodia and by addressing thoroughly, openly and conclusively the status of American POW-MIAs."

Western diplomats say Vietnam has met earlier US demands to withdraw its troops from Cambodia, help US experts search for remains of American servicemen, and release tens of thousands of re-education camp inmates and let them resettle overseas.

HK legislators demand utilities review

By Angus Foster in Hong Kong

HONG KONG'S legislative council yesterday called for a review of public utilities, some of the colony's most powerful companies, and demanded a greater say in monitoring their business.

A succession of legislators – both conservatives and recently-elected liberal activists – also criticised the government for allowing the companies guaranteed profits at the expense of levels of service. A lack of public consultation during discussions of utilities' agreements was also attacked.

The calls for review reflect the entrance to the Council in September of Hong Kong's first directly-elected politicians. The public is also becoming more aware of civic rights and is demanding greater transparency in government.

Hong Kong's main utilities, including China Light and Power, Hongkong Electric and Hongkong Telecom, are governed by schemes of control which limit profits to a percentage of average fixed assets. For most companies the permitted rate of return is around 15 per cent.

Although standards of service provided by the companies are generally thought reasonable, the schemes of control can encourage companies to make investments at the expense of cost control. "...The utilities do not have to shoulder the responsibility of mismanagement and maladministration," said Mr Lau Chin-shek, a labour activist who introduced the debate.

The government is unlikely to alter the schemes of control greatly. This week it extended its agreement with China Light and Power, monopoly provider of electricity for Kowloon and the New Territories, for 15 years from 1993.

But government is likely to agree to a review of the way utilities operate, and ways of increasing public involvement. China Motor Bus, unpopular with commuters because of poor service, is being urged to become more consumer-conscious. Hongkong Telecom's request to move from a scheme of control to inflation-linked price increases has been held up pending a government review of telecommunications policy.

But the government is unlikely to agree to some councillors' demands to be consulted before schemes of control are extended. The utilities, and the government, say commercially sensitive information cannot be released and negotiations are extremely complex.

Moscow and Washington to host next Mideast talks

By Tony Walker in Cairo

THE US and the Soviet Union are planning to host the next stage of Middle East peace talks in or near their respective capitals, according to Arab officials.

A spokesman for Mr Amr Moussa, Egypt's foreign minister, said that multilateral talks involving many of the states of the region plus countries like Japan and Canada would probably convene in Moscow by early next month.

The next stage of bilateral discussions between Israel and neighbouring Arab states plus the Palestinians were expected to be held more or less simultaneously in the Washington area. But Arab officials concede that obstacles still remain, not least Syrian opposition to multilateral discussions on regional issues like water resources and disarmament until progress is made in "land-for-peace" bilateral talks.

Mr James Baker, the US secretary of state, architect of this month's Madrid peace talks, is expected to again play a decisive role in bringing the parties together for the crucial bilateral discussions that are the core of his peace strategy.

Arab officials say the US will need to maintain pressure on Israel and its neighbours to ensure that the peace process does not lose momentum after its promising start. They expect Mr Baker to throw his weight behind renewed efforts to bring the parties together once he returns from a trip to Asia this week.

Washington is keen to get the multilateral round started to demonstrate to Israel and the Arabs that discussions on practical issues like water and the environment can go forward at the same time as more complex questions such as boundaries and sovereignty.

US officials want to show Israel that it can escape its regional isolation if a genuine and broad-based peace effort gets under way, especially if it is accompanied by confidence-building measures on both sides.

Participants in the regional talks would include those involved in bilateral discussions – Syria, Lebanon, Jordan and the Palestinians – plus representatives from the Gulf and North African Arab states. Turkey, which has surplus water, would also take part.

Arab objections to convening the next round of bilateral talks in the US appear to have lessened since the Palestinians in particular gave such a good account of themselves in Madrid. There had been some concern among the Arabs, and in particular Syria, that the strength of the pro-Israel lobby in the US might cast a shadow over these second-round bilateral talks.

US and Soviet officials, assisted by the Egyptians who are playing an important co-ordinating role, are certain to step up efforts to advance both the bilateral and multilateral procedures. The multilateral talks will be launched with a ceremonial opening along the lines of the Madrid round, although Presidents Bush and Gorbachev will not be involved.

AMERICAN NEWS

Strengthening of supervision remains priority

Shaky compromise sees fresh drive on bank bill

By George Graham in Washington

THE US Congress yesterday renewed efforts to craft a bank reform bill, after the Democratic leadership reached a shaky compromise with the Bush administration over how to approach the legislation.

Both the Senate and the House of Representatives were expected to start debate yesterday on different versions of a bill, 10 days after a first compromise effort was soundly defeated in the House.

Last week's House defeat revealed how uncomfortable many members of Congress were with legislation dealing with the banking industry, and congressional lawyers were yesterday far from sure the new compromise would garner enough support to pass.

The House debate opened yesterday with the narrowest possible version of a bank reform bill. This would include the most essential element of any banking legislation, the recapitalisation of the bank deposit insurance fund by allowing it to borrow up to $70bn more, and a few measures intended to strengthen supervision of the banking industry.

Without recapitalisation, the fund will run out of money early next year and will no longer be able to honour the US government's guarantee to depositors in failed banks.

Leaders of the Democratic majority decided, however, to allow amendments to be offered which could add a number of key reforms to this narrow bill.

Possible additions include allowing banks to open branches freely outside their home state, but exclude any attempt to broaden banks' powers to expand into the securities, real estate and insurance businesses, a move which was regarded as too controversial.

The Senate was due to discuss a more comprehensive bill hammered out in committee over the summer, including many of the reforms sought by the administration when it first proposed the legislation in February.

The bill's fate remained uncertain, however. Many congressman do not want to vote for a narrow bill including only the recapitalisation of the deposit insurance fund, which would be viewed as a bailout for the banks with no attempt to reform the underlying problems, but each extra provision adds to the disparate coalition of no votes.

Peru introduces sweeping powers to combat terrorism

By Sally Bowen in Lima

IN A sweeping series of official decrees, the Peruvian government has taken the first legislative steps towards an "integral" strategy to combat terrorism and drugs trafficking.

The power of the armed forces is being enhanced in a wide range of counter-subversive measures, which include the creation of a Unified Command to co-ordinate anti-terrorist actions.

The armed forces may now enter prisons and universities in case of riot or disorder. University campuses thus lose their traditional autonomy, except in academic and administrative matters.

The thesis requirement for first degree students has also been eliminated to "prevent students remaining indefinitely in the universities and devoting themselves to terrorist activities," in the words of one decree.

A law of "national mobilisation" places all Peruvians and foreigners resident in Peru, as well as all public and private services, at the disposition of the government in case of emergency.

Any resistance to such mobilisation will be considered as treason.

In the countryside, the peasant "rondas", or vigilante groups, are authorised to acquire twelve-calibre rifles "for the defence of themselves and their communities against terrorists and drugs traffickers".

Another decree grants official recognition for the first time to the "Defence Committees" which operate in similar fashion to the rondas, but mainly in the jungle areas where the illegal coca trade flourishes.

Both types of organisation are to operate in conjunction with the armed forces and under the authority of the Joint Chiefs of Staff.

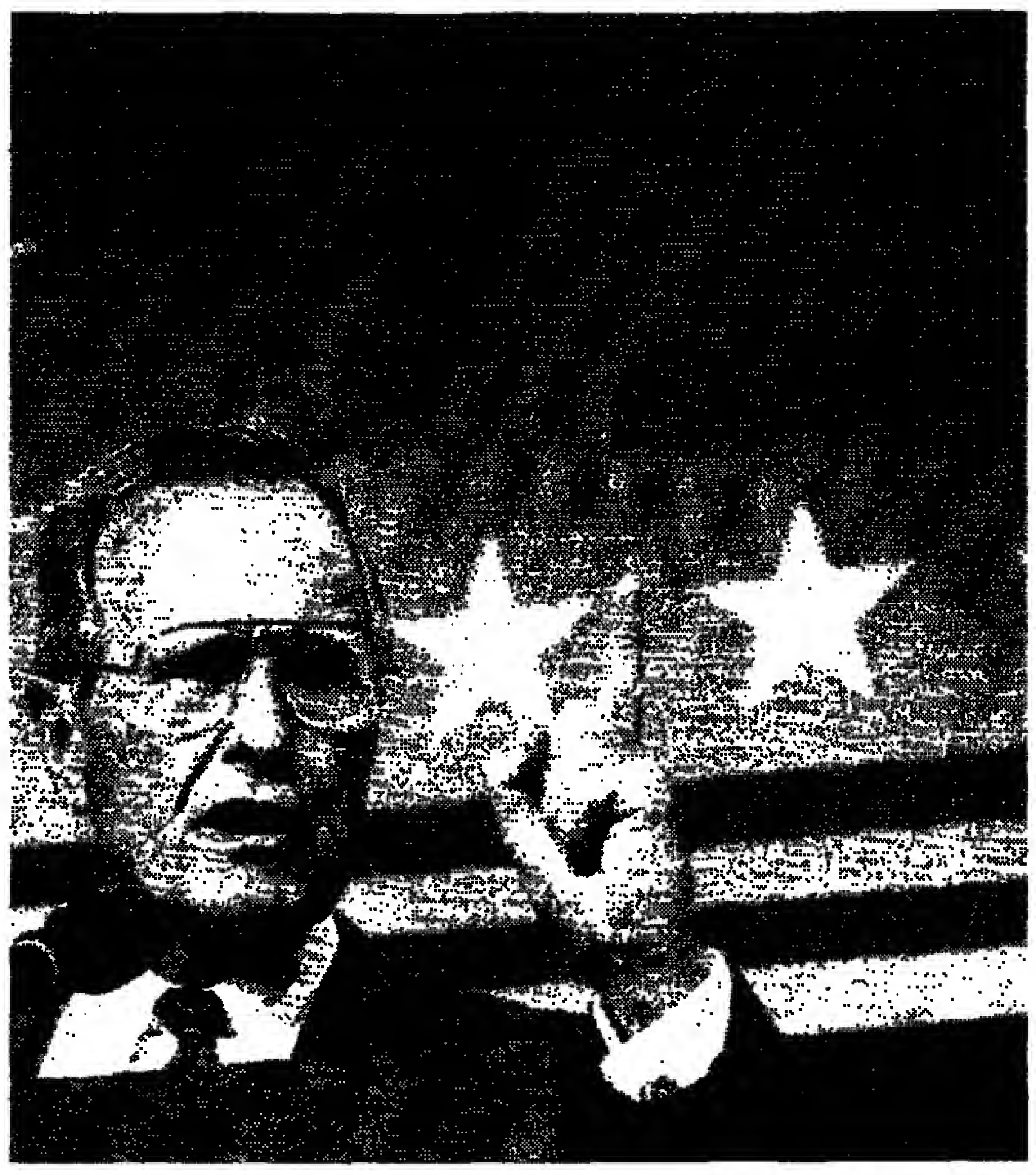
Under complementary measures intended to strengthen observance of human rights, the armed forces are obliged to permit the access of local judges to detainees in emergency zones.

Police found guilty under their own court martial procedures will now be jailed as common criminals instead of being placed in special police prisons – which have proved notoriously easy to escape from in the past.

In two important modifications to the Penal Code, minimum jail sentences for drug trafficking and money laundering are being raised to five and six years respectively. These will be doubled if the crime also involves terrorism.

The decrees on pacification were issued under emergency legislative faculties granted by Congress to the executive which expire on Friday.

They form part of a package of measures that also includes further economic liberalisation and the ending state monopolies.



BACKTRACKING: Bush killed two earlier versions of the jobless benefits extension

Bruised Bush ready to agree to jobless plan

By Nancy Dunne in Washington

PRESIDENT George Bush, with his popularity in the polls ebbing, looks set to agree to a Democratic plan to extend benefits for millions of unemployed Americans.

The apparent agreement comes after the President had twice killed different versions of the benefit extension.

The House Ways and Means Committee was yesterday debating a $5.1bn plan which would provide from six to 20 weeks of extra benefits for unemployed workers who have already had up to 26 weeks of benefit coverage. The President has insisted on abiding by last year's budget agreement, which means the new spending must be financed by new revenues or budget cuts.

At the same time Mr Bush has stepped up attacks on "the liberals that control the Congress." Democrats have responded by portraying a "panicked" White House, unable to develop a comprehensive programme to move the sluggish economy.

The plan under consideration would speed up tax collection from high income earners; maintain the current unemployment payroll tax at 0.08 per cent, rather than letting it drop to 0.06 percent as scheduled; and continue withholding tax refunds from former students who have defaulted on government-backed college loans.

The apparent agreement over unemployment extension brings to an end a bruising five-month battle, begun when it became clear that the economy was not creating new jobs at a rate typical of recoveries.

Rising US budget deficit has more jobless payouts a controversial issue

Fewer Americans are covered by unemployment benefits than in the past because of a series of rule changes. The restructuring underway in the services sector and government job cuts has hit many white collar workers and managers.

Extension of jobless benefits, once a routine matter in recessions, has become a serious problem because of the huge and rising budget deficit.

Shadowy BCCI affiliate kept several sets of accounts

Bank blanked out customers' names

By Bernard Simon

THE management of International Credit and Investment Company, the shadowy Cayman-based affiliate of Bank of Credit and Commerce International, kept several different sets of accounts and blanked out names of customers in its computer records, according to a confidential report by ICIC's provisional liquidators.

ICIC acted as an international private bank for BCCI's key customers and is suspected of being the main conduit for much of the bank's illegal activity, including the clandestine purchase of various US banks.

The report by Deloitte Ross Tohmatsu confirms suspicions that the affairs of BCCI and ICIC are virtually inseparable. It notes that "the decision-making in ICIC Overseas (the group's main operating company) was initiated and co-ordinated by BCCI Holdings' management and the affairs of ICIC and BCCI were intertwined further by cross-borrowings and deposits".

According to the report, which was prepared for a court hearing in the Caymans in early September, ICIC advanced loans to several customers for the purchase of BCCI shares.

Half of ICIC Overseas' total loans of $279m were secured by BCCI stock. Some of these loans are non-recourse against the borrowers.

The report notes that ICIC did not require regular repayments on most loans, except those to employees.

The report does not identify any ICIC customers, beyond noting that a significant portion of its loan portfolio consists of advances "to influential individuals and their affiliated companies located primarily in the Middle East." Although fewer than a quarter of ICIC's 130 depositors were resident in the Middle East and Pakistan, they accounted for 75 per cent of total deposits of $200m.

The liquidators say they have discovered "a number of sets" of management accounts for 1989 and 1990, all of which differ materially from one another, mainly in respect of loan loss provisions. The report says ICIC's computer system identified no customer accounts by name, and it seemed the names of accounts had been blanked out.

The liquidators identified most customers from manual records.

Behind Closed Doors, Page 6; UK investments, Page 7

Chile to have new bank chief

MR ANDRES Bianchi, president of Chile's central bank, will retire next month after a two-year term that spanned the country's transition to democracy and the bank's first steps as an independent institution, Leslie Crawford reports from Santiago. Mr Roberto Zahler, the vice-president, is tipped to replace him. Mr Bianchi's main achievement, at the head of the developing world's only autonomous central bank, was to ensure that the end of 16 years of military rule in March 1990 was not accompanied by capital flight.

Under Mr Bianchi, the bank eased foreign investment curbs and worked with the finance ministry to cut inflation from a yearly 30 per cent two years ago to about 18 per cent now.

WORLD TRADE NEWS

MacSharry sees Uruguay Round deal by new year

By Robert Graham in Rome

MR Ray MacSharry, EC agriculture commissioner, yesterday expressed optimism that an agreement could be reached before the end of the year on the Uruguay Round under the General Agreement on Tariffs and Trade.

He told ministers in Rome for the bi-annual meeting of the UN's Food and Agriculture Organisation (FAO): "I am now more optimistic about a successful, balanced outcome before the end of the year in which all participants will find advantages".

He was speaking after talks on Tuesday night with Mr Edward Madigan, US agriculture secretary, when the two had assessed the concessions made by the EC and US in weekend talks at The Hague under the aegis of President Bush. These talks, Mr MacSharry said, showed both sides were willing to narrow their differences on farm subsidies and US farm exports. His talks with Mr Madigan had served to establish exactly where outstanding differences lay, and ensure both sides understood each other's latest positions.

The EC feels its negotiating hand has been strengthened by backing from the 12 member states for Mr MacSharry's latest Gatt proposals, also framed in the context of reforming the Common Agriculture Policy. He wants to clear Brussels' new stance with other interested parties, especially the Cairns group of 14 farm exporters. He stressed the need for "a balanced agreement" satisfactory to all. Officials said EC movement on farm subsidies had to take account of issues like Japanese and South Korean rice protection.

Mr MacSharry said talks now centred on narrowing differences over new US suggestions for export refund cuts. Over the weekend, the US asked the EC to consider cuts of either 35 per cent over six years or 30 per cent over five years. This is near what the EC would now be ready to accept, but the two sides disagree on the base years from which the cuts will be calculated. The US would also like to see cuts not merely in export funding but export volume.

Another problem to resolve was "re-balancing", centring on the US desire to force the EC to accept further purchases of cheap US feedstock substitutes. But the EC is resisting any suggestion it can simultaneously remove cereals from the world market and allow the US greater licence with these substitutes.

Brazil wants EC-US farm talks brought into Round

BRAZIL'S farm minister Mr Antonio Cabrera yesterday urged the EC and US to bring their dialogue on farm reform into the Uruguay Round multilateral talks, William Dullforce reports from Geneva.

While seeing the need for the EC and US to break their deadlock on how to cut farm subsidies, Mr Cabrera said he had 23m farmers at home asking if Brazil's government was on the right course with its shift to a market economy and its policy in the round. The farmers had close ties with some 250 Brazilian congressmen.

In central Brazil, farmers were producing wheat at $150 a tonne. Costs for French farmers were $230 a tonne but with EC subsidies, France could sell its wheat on the world market at $80-$85 a tonne. The EC demand to be allowed to raise border barriers to imports of oilseeds in return for scrapping supports to domestic processors was unacceptable to Brazil. Access to the EC soyabean market was "important for us".

Mr Cabrera had met Mr Edward Madigan, US agriculture secretary, and Mr Ray MacSharry, EC farm commissioner, in Rome on Tuesday, and Mr Arthur Dunkel, Gatt secretary-general, in Geneva yesterday. He was reflecting fears in the Cairns Group of farm-exporting nations that their interests might be overlooked.

Aircraft makers fight a battle royal in the Gulf

The region, and the whole Middle East, is seen as offering attractive sales prospects, Paul Betts writes

THE world's big three commercial aircraft manufacturers and the three engine suppliers are currently fighting a battle royal in the Gulf. The region and the Middle East as a whole is currently seen by airframe and engine makers as offering some of the most attractive new aircraft sales prospects in a generally depressed international civil aviation market.

Middle East airlines are expected to order more than $10bn (£5.8bn)-worth of new aircraft during the next 10 years to renew ageing fleets and expand their operations. By far the worst hit by the slump in air travel caused by the Gulf war and the recession, many Middle East airlines are now seeing a pick-up in traffic.

The battle between the aircraft makers is all the more intense because the US manufacturers are seeking to regain market share in a region which has seen the European Airbus consortium win the majority of new aircraft orders during the past few years.

The US manufacturers dominated this market in the 1970s. But they have seen their positions eroded by Airbus, which targeted the Middle East as one of its big markets. Mr Jean Pierson, Airbus chairman, said at the Dubai air show last week the European consortium had won 82 per cent of all Middle East orders and commitments for commercial aircraft over the past three years.

Kuwait Airways, the first Middle East carrier to order Airbus aircraft in the late 1970s, signed last month an agreement to buy $2bn-worth of Airbus aircraft to rebuild its fleet after the Gulf war. Boeing, which has also won orders for three Boeing 747s from Kuwait Airlines, is now negotiating the sale of additional aircraft to the Kuwaiti carrier, including its new Boeing 777 widebody airliner.

The most immediate contest involves Emirates, the Dubai-based airline started only six years ago, which has been expanding rapidly and was the only Gulf carrier to fly throughout the war. Emirates has been a good Airbus customer. Its fleet includes three Boeing 727s and six Airbus A300/A310 widebody jets. Another six A300/A310s are on order, and it has just agreed to buy another two A310s.

The airline is now about to announce a $1.5bn order for new widebody jets to meet its expansion needs. Sheikh Ahmed bin Saeed Al-Maktoum, the airline's chairman, said the airline was expected to announce its big order "in the next few weeks". It would probably involve firm orders for seven widebodies and options for a further seven.

Airbus, Boeing and McDonnell Douglas are all offering competing products including the A330, the Boeing 777 and the MD-11. Airbus and Boeing appear in the strongest position because McDonnell Douglas has up to now been virtually absent from this market.

Glyn Genin

Pierson: the lion's share of orders has gone to Airbus over the past three years

For Boeing, winning the Emirates order would give it a significant boost in its efforts to regain its position in the Middle East at the expense of Airbus. Mr Mark Muhsan, Boeing's director of Middle East sales, said the US company was ultimately aiming to gain 60 per cent of the market.

All three aero-engine makers, including Rolls-Royce of the UK and General Electric and Pratt & Whitney of the US, are also competing for the order to supply engines for the new Emirates widebodies. The aero-engine groups are now engaged in a fierce competition to place their new heavy-thrust engines on the new generation of widebody aircraft, which are expected to account for an increasingly large share of the overall commercial aero-engine market. Other carriers in the region are expected to return to the new aircraft market relatively soon. Boeing believes Saudia, the Saudi Arabian national carrier, may need to replace about 40-50 jets during the next few years, including older Boeing 737s and Lockheed L1011 Tristars.

But no decisions are expected during the next six months. Gulf Air is also starting to look at a possible new widebody aircraft purchase, while the Beirut-based Middle East Airlines is expected to begin at some stage to seek new aircraft to replace its old Boeing 707s.

Iran is also regarded as a potentially important commercial aircraft market.

The battle for new Middle East commercial aircraft orders between European and US aerospace group coincides with an equally fierce competition for post Gulf war military orders. This was evident at the Dubai air show, where the French fielded an imposing delegation including the chairmen of all the country's main aerospace groups.

A significant defence supplier to Saudi Arabia and the smaller Gulf countries, France's position in the region was badly undermined by the country's political hesitations to commit itself to the defence of the Gulf after Iraq's invasion of Kuwait.

The US appears to be scoring heavily as a result of its commitment and decisive role in the Gulf war. McDonnell Douglas announced at Dubai last week that Saudi Arabia wanted to acquire an additional 72 F-15 multi-purpose and air superiority fighters worth about $2bn. It also indicated prospects for other US military aircraft orders in the region, including Kuwait, the United Arab Emirates, and Saudi Arabia.

Though they are reluctant to admit it publicly, US companies are now hoping to cash in on a post-Gulf war "dividend" by winning new commercial aircraft orders in the region in an effort to recoup some market share they have lost to the European Airbus consortium.

Sainsbury in mission to S Africa

MR Tim Sainsbury, Britain's trade minister, flew to South Africa yesterday leading the first trade mission to the country for more than two decades, David Dodwell, World Trade Editor, writes.

While the visit is modestly aimed at "exploring the commercial potential" of trade and investment links, he and the eight-strong business group travelling with him will be keen to ensure Britain keeps its place as South Africa's second most important supplier, behind Germany.

He will also press Pretoria to drop its import taxes, "which reflect that for a long time the country was a siege economy".

Mr Sainsbury conceded that uncertainty over South Africa's future political complexion was inhibiting resurgence of foreign investment, while asserting that the UK remained the largest overseas investor in the country.

He plans to meet African National Congress and other black leaders to argue the need for them to make "nothing less than a full-blooded commitment to a market economy, and the removal of all barriers to trade", in contrast to the state intervention policies to which the ANC has been wedded.

He plans to tell local business leaders: "South Africa must return to the mainstream of world trade without delay...It is regrettable that the Commonwealth could not achieve a consensus in favour of relaxing trade and financial sanctions now.

"But in reality this is yesterday's debate. The EC, the US and Japan have already moved to dismantle sanctions."

He will pledge that Britain will keep pressing for South African access to the IMF and the World Bank. UK exports to South Africa rose above £1bn in 1988, and have topped this level since. Visible exports last year rose to £1.11bn.

Imports from South Africa, excluding diamonds, rose last year to £1.08bn, narrowing the visible trade gap to just £35m. Britain's main exports include power generating, industrial machinery and pharmaceuticals.

Imports include vegetables and metal ores.

Cubans seek to arrange Lithuanian trade pact

By Gillian Tett in Vilnius

A CUBAN trade delegation, led by Mr Ricardo Cabrisas, Cuban trade minister, met Lithuanian leaders in Vilnius yesterday, to try to arrange the first direct trade deal between Cuba and the newly-independent Lithuanian state.

The deal reflects increasingly urgent attempts being made by the Baltic states to resurrect trade links with other former members of the now-defunct Comecon, following the demise of the centralised Soviet economic system.

In light of the lack of hard currency on both sides, it is intended the trade deal would be based on a "dollar clearing system", using hypothetical dollar prices to decide the rates for barter deals.

Lithuanian exports to Cuba, mainly light industrial goods, previously accounted for 15 per cent of Lithuania's foreign exports, or Rbs60m (£58.8m) in 1989. Although Cuban exports represented less than 6 per cent of Lithuanian imports, Cuban sugar, of which 84,000 tonnes were imported in 1988, had a key role, chiefly in Lithuania's processed food industry. Since 1990, Cuban sugar exports have virtually ceased to all three Baltic states, leading to an acute sugar shortage there, officials say.

Full loan cover from Eximbank

THE US Export-Import Bank will provide full cover for its loan guarantees to encourage more commercial banks to finance US exports, it said yesterday, Nancy Dunne reports from Washington. The new policy could mean extra financing to the Soviet Union and other nations where risk of repayment seems high.

In recent years, Eximbank has been devoting more of its resources to loan guarantees, underwriting loans of up to 85 per cent of their value, with a cash payment of at least 15 per cent required on each transaction. But under the new policy offering full cover, it will approve the terms and conditions of the loan, including interest rate.

BCCI: BEHIND CLOSED DOORS

In a military area near Abu Dhabi's international airport, 18 of the most senior executives of BCCI are being held in the Abu Dhabi police officers' club without trial and without charges. The austere concrete exterior of the building conceals what is, in reality, a comfortable hotel with terraces, fountains and lawns.

The bankers are out of sight, but not out of mind, for Sheikh Zayed bin Sultan al-Nahyan, the ruler of Abu Dhabi for whom the BCCI affair has been the largest single disaster of his 75-year life.

The Sheikh is a private man at the best of times. But since the BCCI shutdown he has been totally silent in his palace. Decked with bougainvillea and palms, the palace is set away from prying eyes in a corner of this garden city on the edge of the Gulf. He is said to feel a deep sense of betrayal and fury at the colossal fraud engineered by men he trusted with his money – and, as he sees it, with his honour.

The sense of grievance must be doubly acute, since this is not the first time he has been robbed by close advisers. In the wake of the 1973 OPEC oil price rises, which saw a wave of carpet baggers descending on the Gulf offering "get rich quick" schemes, Sheikh Zayed committed his wealth to speculation in the copper market – with disastrous results.

In 1980, two officials, including the man in charge of his money, were convicted of fraud. Sheikh Zayed lost nearly $100m. But it was not the financial loss which rankled so much as the loss of trust.

More galling, it was this very incident which persuaded Sheikh Zayed to entrust the bulk of his financial affairs to BCCI instead, the bank run by his long-standing friend, Agha Hasan Abedi. For several years, he channeled much of his entire share of Abu Dhabi's oil revenues – several hundred million dollars a year – directly into BCCI. Zayed effectively handed the key to his personal fortune to Abedi.

It was to prove a fatal error. Zayed's exalted position did not earn him special treatment. Like so much else at BCCI, his money – more than $2bn of it, according to investigators – vanished into the black hole of fraud.

BCCI would not have survived as long as it did - or have perpetrated fraud on such a scale – jhad it not had acess to Abu Dhabi's enormous financial resources. The FT's estimates that the emirate has an exposure to BCCI of a staggering $9.4bn – a figure its representatives have not challenged. Some may be recouped as the bank is wound up. But most of it has gone.

On the face of it, Abu Dhabi's involvement with BCCI is one of the hardest aspects of the saga to understand. Much of the answer lies in the character of the ruler.

Zayed is an austere-looking figure with a lean face and deep set eyes. He had no formal education, and spent much of his early life in the desert, where his outlook was shaped by the pride and rivalries of the Arabian tribes. It was a culture where "face" was all important, where awkward problems got brushed under the carpet.

Sheikh Zayed was surrounded by a small army of sycophants who were often fearful of telling him the truth and who managed to create confusion and indecision over BCCI which the wounded Sheikh seemed unwilling to remove.

In the bank's final stages, when billions of dollars were at stake and evidence of fraud was spilling out, Abu Dhabi was more worried about the embarrassment than the financial loss This greatly complicated the efforts of western watchdogs to control BCCI.

As a true Bedouin, he loves to gossip and tell stories over a cup of bitter coffee. He does not drink. His passions are falcons, hunting, camel racing and his flower gardens which he tends to personally. He is not an ascetic. He owns at least a dozen properties in five countries and a jet.

But for for a man whose oil royalties earn him $3.8m a day Zayed leads a relatively simple and dignified life. He shuns ostentation and has a habit of standing with half-closed eyelids. He displays an intuitive recognition of his own power. "Zayed's word is law," said one of Abu Dhabi's British expatriates who like many others in the sheikhdom revere the man.

Zayed came to power in 1966 when, with Britain's discreet help, he edged out his brother Shakhbut.

'In the Court of the Sheikh'

PART FIVE

The BCCI affair is probably the single biggest disaster in the history of Abu Dhabi. Sheikh Zayed came to the bank's rescue time and again. It repaid him by stealing over $2bn from his personal fortune

A benevolent autocrat who runs his emirate like a medieval court, Zayed used Abu Dhabi's enormous wealth to transform his arid territory into a garden city where the air is moist with sprinklers.

Part of the answer to Abu Dhabi's involvement with BCCI also lies in a belief by Abu Dhabi's ruling family that oil, mixed with western values, contaminated the Gulf. Zayed decided that Abu Dhabi would not follow the example of Saudi Arabia and other Gulf states and rely on western expertise. It would chart its own course

Many Gulf Arabs find it difficult to deal with established institutions – big banks, estate agents or brokerage houses – all of whom descended on them like vultures after the first oil boom. The Sheikhs favoured the "little man they can trust".

they believed that the oil which sprung from the ground belonged to them, literally, and that that huge personal fortunes were part of their natural right. Many lost a proper perspective of what was a lot of money and what constituted a fair rate of return on that money.

Abu Dhabi's oil wealth is, literally, fabulous. In a good year, it earns $12bn to spread around only 722,000 people. This not only bought flashy cars, grand mansions and untold luxury but it stoked people's expectations sky high. At its best, Abu Dhabi is a jewel in the desert, at its worst, a wasteland of extravagance and greed.

Despite his huge wealth, Zayed shows little interest in finance. He was born into a family which kept all its money under the bed. But he supported BCCI from the start.

This was partly out of personal friendship for Abedi. Following his lead, a large part of the Abu Dhabi establishment struck up with BCCI. Many members of the ruling family and senior officials became shareholders or customers, or both.

Despite Abedi's strenuous efforts, the neighbouring kingdom of Saudi Arabia never succumbed to BCCI's blandishments. His requests to open a bank there were unsuccessful because many Saudis viewed him with suspicion.

Zayed placed formal responsibility for his 35 per cent stake in the bank with his crown prince, Khalifa, with a small group of officials looking after it day-to-day.

For 13 years, everything went fine. Abedi frequently asked his patrons to subscribe new capital to fund BCCI's explosive growth. But thanks to his astute manipulations, the share price rose sufficiently to meet even the exaggerated expectations of the oil-rich. According to Price Waterhouse, some Gulf investors also received guaranteed rates of return on their stakes, not uncommon in the Middle East.

The first sign of trouble was the treasury disaster in 1985 which shook Zayed badly. For the first time, he refused Abedi's request for fresh capital. This was the moment, according to one Abu Dhabi source, when he stopped pouring his own money into the bank. But by then, Abu Dhabi's fatal fascination with BCCI had already entwined it so tightly that there was no turning back. Unfolding events showed that it was now in Abu Dhabi's vital interests to keep BCCI going.

The next shock came in March 1988 when Abedi, labouring under the strain of managing frauds now amounting to billions of dollars, was struck down by a heart attack while at dinner at a hotel in Lahore. Shortly afterwards he suffered a second heart attack, and a stroke.

Zayed, alarmed by the news, sent his medically equipped private plane to fetch him, and Abedi was whisked to the Cromwell hospital. He was later transferred to the Harefield Hospital in Middlesex where he received a heart transplant. During that time he lost three stone.

Aged 66, it was remarkable that Abedi recovered at all. But the crisis marked the end of his active involvement with the bank. He retreated to his Karachi home, and passed the baton to Swaleh Naqvi, his chief executive officer.

Naqvi could hardly have been more different from the man he replaced. He had none of Abedi's vision or charisma. He was a worrier who toiled nearly 20 hours a day, and had constant bags under his bespectacled eyes. When things got on top of him, he burst into tears. He wrote down everything he heard.

Naqvi worshipped Abedi and, being closer to the day-to-day workings of the bank, may even have tried to spare him the full truth He was the day-to-day manager of the frauds. He kept thousands of files, some in his home. But like many of those implicated in BCCI's manipulations, he derived little apparent personal benefit. He lived modestly in a west London suburb.

From Abu Dhabi's point of view, the departure of Abedi marked a big shift in the relationship. Naqvi had never enjoyed Abedi's close links with Zayed, or his personal access to the Ruler's court. With Abedi gone, Zayed's personal interest in the bank began to wane, and Naqvi must have sensed that BCCI was on its own

Nonetheless he threw himself into the job of keeping BCCI afloat. He ordered the branches to make a fresh drive for deposits and loans.

What BCCI needed was lots of bread-and-butter business to generate real profits and create an aura of acceptability. John Hillbery, one of the most senior Europeans in the bank and its newly appointed head of international division, toured the world to drum up correspondent relationships with other banks.

He and his team visited 400 with little success. Many big banks like Citibank and Bankers Trust refused to have anything to do with BCCI. Hillbery later resigned because of his own doubts.

But BCCI's gaping holes could never be plugged by legitimate revenues. By the end of 1989 Price Waterhouse were also asking awkward questions about BCCI's large loans to its own shareholders, and its lack of provisions against bad debts. Naqvi knew that he was going to have to do something pretty drastic to obtain approval for the 1989 accounts, but unlike Abedi, he lacked the channels to Zayed.

Early in 1990 he suddenly embarked on a rapid succession of shuttle trips out to the Gulf and Pakistan. Nobody in London seemed to know where he was. Often the only clue to his whereabouts was the flight plan of BCCI's private Boeing. Naqvi seems to have called on all his contacts - but without success. In the end, desperate, he landed up in Abu Dhabi.

At this crucial juncture, the narrative versions conflict sharply.

In an account given to western sources, Naqvi was at his wits' end. In an emotional scene, he "made a clean breast of it" and laid out all BCCI's problems before Abu Dhabi officials. He begged for their help. This version of events lays the basis for the later suspicion of the auditors, conveyed to the Bank of England, that Abu Dhabi knew far more about BCCI's frauds than it was prepared to admit. This suspicion was key to the regulators' decision to exclude Abu Dhabi from the climatic decision to shut BCCI down.

According to Abu Dhabi sources, however, Naqvi never confessed to fraud. He only discussed BCCI's problems with them, and in such a generalised and rambling way that it would be wrong to conclude that they were "briefed fully" as later alleged by Price Waterhouse.

Whichever version is correct, Naqvi's message came as a bombshell to Abu Dhabi. This required a top level decision - and that meant involving the ruler. But none of the officials felt able to broach this ghastly matter with Zayed, and Naqvi himself lacked the clout to open the palace doors.

There was only one man who could - Abedi. Naqvi got back on his plane and flew to Karachi where he implored Abedi - then crippled in a wheelchair - to come back with him and intercede with the ruler.

If there was one person capable of understanding the gravity of the situation it was Abedi. Summoning his depleted energies, he struggled on board the Boeing and flew to the Gulf.

Abedi did manage to open the necessary doors. In one version of events that followed, he told Zayed hoarsely that his bank was in terrible trouble, and without his help it would surely go under. He begged Zayed's forgiveness, and blamed misfortune and management mistakes.

Deeply moved, Zayed reportedly said: "You look after your health. I'll look after your bank." Then, turning to his aides, he said: "Do whatever is necessary".

However the precise details of this meeting are hard to corroborate. The ruler's representatives firmly deny one account by which Sheikh Zayed actually called on Abedi at his suite in the Intercontinental Hotel as a courtesy to along-standing but sick friend. This would be contrary to etiquette.

Aside from any feelings Zayed may have had for Abedi there were too many Gulf interests at stake to allow BCCI to go down: the Abu Dhabi establishment, BCCI's highly placed Arab clients - all would be deeply embarrassed by BCCI's collapse.

The details of the rescue were worked out by Zayed's advisers. These included Ghanim Faris Al Mazrui, the zealously religious head of Zayed's private department who represented Abu Dhabi on the BCCI board.

Everything now focused on April 20 1990, the day on which a crisis meeting had been scheduled in Luxembourg with the regulators and auditors to decide BCCI's future. It did not augur well. While Naqvi was on his travels, Price Waterhouse had come upon the secret arrangements BCCI used to conceal some of the Gulf group loans, and reported their suspicion that these were "false or deceitful".

The supervisors were uneasy too. BCCI's financial condition was precarious. The bank's capital was running low, and there were not enough reserves to cushion the bank against bad loans. At the back of everyone's mind lurked the suspicion that the huge web of ill-documented insider loans might conceal fraud. No one had yet put such fears down on paper.

The meeting, on the top floor of the IML's building in Luxembourg, began after lunch in a tense atmosphere. As well as the regulators and Mazrui and Naqvi, those present included two directors, Yves Lamarche and Alfred Hartmann, Zafar Iqbal, BCCI's representative in Abu Dhabi, and Tim Hoult and Chris Cowan, the Price Waterhouse partners on the BCCI account.

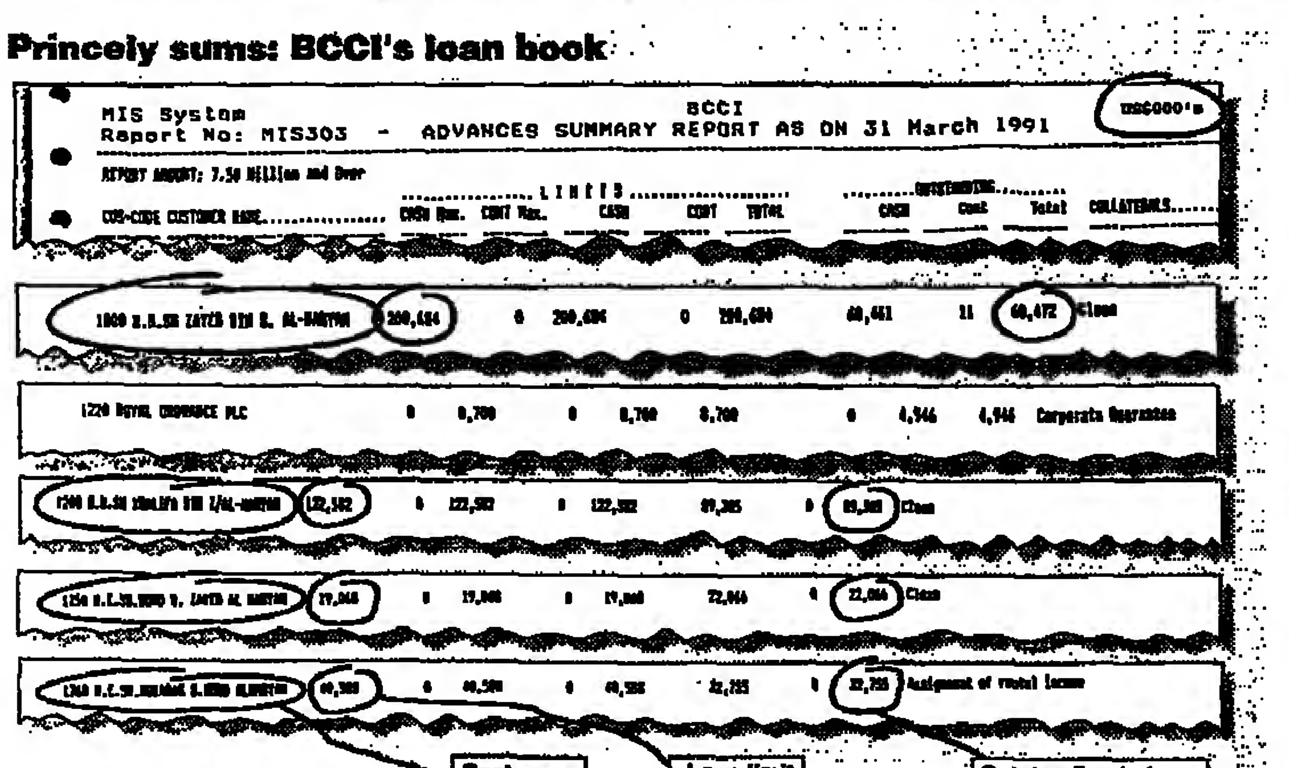
All eyes were on Mazrui who clearly held the key to whatever happened next.

After a delay, Mazrui produced a letter and began to read. Abu Dhabi, he said, was prepared to take steps to secure BCCI's future. It would inject $400m to make BCCI solvent again. It would also buy out the doubtful shareholder loans at a cost of $800m, supply necessary working capital, and support a reorganisation of the bank.

The meeting paused to absorb this news. Abu Dhabi was committing itself to an outlay of well over a billion dollars. Should the offer be accepted, or was it too late?

■ **Tomorrow: 'Watchdogs who failed to bark?'**

Princely sums: BCCI's loan book



Many members of the ruling Al-Nahyan family of Abu Dhabi were customers of BCCI, including the ruler himself. This print-out of the bank's biggest borrowers last March shows the ruler as customer number 1880 with a loan balance of $60.5m, and the crown prince Sheikh Khalifa as customer 1200 with $86.3m. They appear alongside other borrowers such as the UK armaments manufacturer Royal Ordnance. Abu Dhabi has said, however, that the ruling family did not borrow from BCCI and that loans recorded here are fictitious.

The day Clausen drove right by

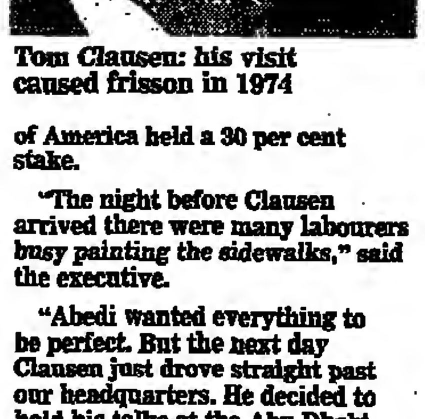
IT was totally surrounded by desert. Some of the bank's tiny staff worked out of Flat No. 8 in the Sheikh Zayed Building, as it was called.

Those were the days when BCCI was growing up with Abu Dhabi. In the early 1970s – shortly after the emirate's independence – the bank was housed on the ground floor of the nondescript six-floor concrete residential building.

"There were no pavements and only strips of temporary tarmac when we stepped outside. I watched the sidewalks being built around us," recalls one of BCCI's former top executives.

"Life was very bleak then. There was no shopping, just sand dunes and desert, with strips of tarmac road, a few foot paths. If ever you wanted to go from Abu Dhabi to Dubai you needed a four-wheel drive vehicle for the six-hour trip across the sand and some tarmac. People got stuck and had to be dug out. Sometime they got lost altogether."

In the summer of 1974 a frisson went through the little BCCI headquarters when it was learned that Tom Clausen, chairman of Bank of America, was coming to Abu Dhabi for his first visit with officials of the bank in which Bank of America held a 30 per cent stake.



Tom Clausen: his visit caused frisson in 1974

"The night before Clausen arrived there were many labourers busy painting the sidewalks," said the executive.

"Abedi wanted everything to be perfect. But the next day Clausen just drove straight past our headquarters. He decided to hold his talks at the Abu Dhabi Hilton instead with Abedi, Naqvi and some of the rest of us. It was all for nought."

In those early days Abedi also played the Muslim card to some effect." He used to tell Sheikh Zayed that the top BCCI people were all Muslims," said one of his former aides.

"He would tell the Sheikh that the bank was the best bridge to help the world of Islam and the best way to fight the evil influence of Zionists. We were fed this all the time so that it seemed everywhere we looked we would trip across a Zionist plot."

OFT fails to close price-fixing loophole

By Andrew Taylor, Construction Correspondent

A DECISION by Britain's most senior court is likely to make it more difficult for the Office of Fair Trading (OFT) to win legal actions against companies operating price fixing agreements.

The Law Lords yesterday refused permission for the OFT to appeal to the House of Lords against an Appeal Court ruling which cleared a leading concrete producer of operating unlawful agreements.

Smiths Concrete, 49 per cent owned by ARC the aggregates subsidiary of Hanson, had told the court that a manager who had attended price fixing meetings at a Berkshire public house had acted against the company's wishes.

It argued that it had taken all reasonable steps to dissuade staff from entering unlawful agreements.

The OFT was concerned that this could become a standard defence for companies facing proceedings in the Restrictive Practices Court. This could make it more difficult for court actions to succeed.

Sir Gordon Borrie, director-general of fair trading, is expected to use yesterday's decision to step up pressure on the government to introduce tougher legislation, including stiffer penalties against companies and individuals.

The OFT said last night that it was disappointed by the Lords decision but this would not deter it from taking court action against companies breaking the law. It is currently investigating more than 50 price fixing and market sharing agreements involving some of Britain's biggest concrete producers.

Smiths Concrete previously had appealed successfully against a £25,000 fine by the Restrictive Practices Court. At the same time, three other companies were fined £56,000 for disobeying court orders prohibiting them from entering market sharing agreements.

Proposals to stiffen the UK's 30-year-old restrictive trade practices legislation were put forward by the government in a policy document two years ago but new measures have still to be introduced.

The policy document proposed fines of up to 10 per cent of UK turnover of companies found guilty of negotiating unlawful agreements.

● Secret meetings of stockbroking firms, to discuss ways of improving the profitability of their research departments, are under investigation by the Office of Fair Trading. The OFT has written to the six firms - Barclays de Zoete Wedd, James Capel, County NatWest, UBS Phillips & Drew, Warburg Securities and Kleinwort Benson Securities - asking for information to assess whether they were in effect acting as a cartel and infringing the Restrictive Trade Practices Act.

Ten arrests follow health drink plot

By Philip Rawstorne

FIVE MILLION bottles of Lucozade, a popular health drink, were withdrawn from shops throughout the UK yesterday after a police warning that animal rights activists planned a contamination plot. Police arrested ten people in dawn raids throughout the country.

The alleged plot is the latest in a series of "consumer terrorism" incidents which have affected companies including Mars, Heinz, Cadbury and Sainsbury.

Lucozade, manufactured by SmithKline Beecham, the pharmaceuticals and consumer group, is sold in distinctive yellow-wrapped bottles. It has long been known as a health drink but has recently been extended into flavoured soft drinks and sports drinks.

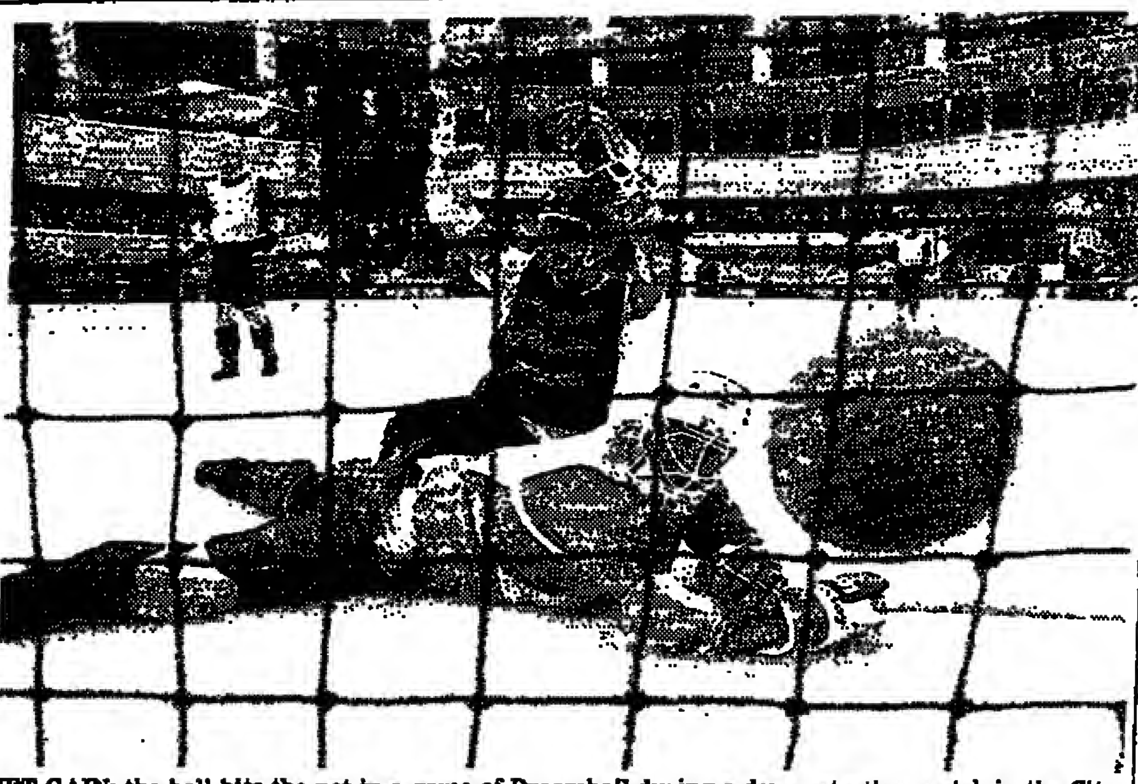
Retail sales last year totalled £90m.

Shares in SmithKline Beecham fell 14p on the news and closed 10p lower at 808p.

The company was tipped off on Tuesday night by detectives from the anti-terrorist squad. Police said animal rights activists intended to contaminate bottles at a number of stores around the country to gain a propaganda coup.

It was the first time that the group, which uses animals in its pharmaceutical research, had been the target for such an attack.

Contingency plans for dealing with such an emergency were put into immediate effect. Supermarkets and other big stores were alerted and further warnings were broadcast on the radio and television.



NET GAIN: the ball hits the net in a game of Broomball during a demonstration match in the City of London yesterday. Defending champions Kankaku (Europe), the Japanese securities house, were defeated 4-0 by the Broadgate club. The sport is unique to London in the UK, but originated in Canada and Russia and pre-dates ice-hockey.It is played between two teams of four players on ice.

Local authorities defend decision to invest in BCCI

By Richard Evans

SOME of Britain's local authorities defended themselves against sustained attacks from MPs yesterday over investments in the failed Bank of Credit and Commerce International (BCCI) by arguing that the Bank of England should have warned them much earlier.

Councils should have taken more care before investing community charge payers' money in BCCI, particularly by taking credit rating advice, according to members of the House of Commons Treasury and Civil Service Committee.

The response from local authority representatives was that council practices varied, and many had checked. Others had assumed that because of the regulatory role of the Bank of England and the fact that BCCI was on the government's authorised list of banks, it was not unreasonable to include it.

It was also claimed that some of the money brokers used by local authorities had advised investments in BCCI.

The total loss sustained by local authorities in England and Wales was £59.7m among 20-30 councils, and £28m among four authorities in Scotland. By far the biggest individual loss was £23m by Western Isles council.

Mr Brian Smallridge, director of finance for Bury in north west England, representing the councils with losses, said the Bank of England should have taken decisive action sooner in its role of regulatory supervisor.

Mr Ian Ward, assistant secretary, finance and the Association of District Councils, said: "Banking regulation has certainly failed us...nobody could have protected themselves by any credit rating system from an event such as this."

The local authority chiefs argued that the Western Isles should be regarded as a special case for help because of the scale of the disaster there, which would mean the children of current poll tax payers would still be paying off debts.

Sir Terence Higgins, chairman of the committee, said he had heard "elements of great sophistication and a mix of great naivety" in the finances of the local authorities.

BRITAIN IN BRIEF

Eurotunnel chief attacks government

Sir Alastair Morton, Eurotunnel's chairman, has bitterly attacked the government and British Rail for delays and inadequacies in the provision of infrastructure linking the tunnel with mainland transport systems. Sir Alastair accused the government of undermining Eurotunnel's prospects by failing to keep its side of the bargain struck between the public and private sectors when Eurotunnel was given the tunnel concession in 1986.

Action taken on sherry

Spanish sherry houses are to seek an injunction today to prevent supermarket chain Tesco from selling a drink called Stone's Original Pale Cream. Spanish sherry interests claim that because the drink is a mixture of sherries it is being sold under a false description.

TV station appeal fails

Television South West has failed to overturn the Independent Television Commission decision that it should lose its franchise despite being the highest bidder in its region.

Free coal may cost £54m

Prospective purchasers of British Coal may inherit obligations to hand out up to £54m a year of free fuel after the industry is privatised. This follows a government commitment to safeguard concessionary fuel entitlements to miners.

Trust hospital within budget

Guy's hospital, London, the most controversial of the government's self-governing trusts, announced a financial turnround and plans to increase staff pay above nationally agreed levels. It says a £7m overspend predicted early in the financial year had been almost eliminated. It is predicted that the trust will end the year within its budget.

Heseltine to raise City funds

The government's £82m-a-year "city challenge" programme, designed to help councils combat urban decay and deprivation, is to be streamlined, giving councils quicker access to more funds. Mr Michael Heseltine, environment secretary, (pictured above) said that the government would increase its funding of revenue projects from 75 to 90 per cent.

SeaCat service to be launched

Hoverspeed, the Sea Containers subsidiary which operates hovercraft and catamarans on the Dover-Calais and Dover-Boulogne routes, plans to start a SeaCat catamaran service between Folkestone and Boulogne from April 1992.

Group presses for prosecutor

A Serious Corporate Violence Office, based on the Serious Fraud Office, to investigate and prosecute companies criminally responsible for disasters has been called for by the pressure group Disaster Action.

Battle over power prices

Large electricity users including ICI and British Steel say they are prepared to bypass Offer, the electricity watchdog, in their battle for lower electricity prices.

Delay in Maxwell tests

Clues which could clarify some if not all of the mystery surrounding the death of Mr Robert Maxwell, the publisher, without which insurance claims cannot be triggered, are not expected to be known now for at least another ten days, says the National Institute of Toxicology in Madrid.

Campaign for business club

A campaign to create a National Business Club with a membership of 500,000 small companies within three years has been launched. Durham Small Business Club says a national network catering specifically for very small companies would cut the failure rate among the 95% of UK companies with fewer than 20 employees and provide a "feeder route" to Chamber of Commerce membership.

Report hints at union talks

Some senior officials of the TGWU general union appear ready to abandon the union's historic emnity with the UK's other main general union, the GMB, and are even considering eventual merger. The TGWU would "neither deny nor confirm" a newspaper report of exploratory merger talks.

Correction Invesco MIM

In Tuesday's report "Invesco fined by investment regulator", we incorrectly stated that Imro had said Invesco MIM had submitted a deliberately misleading "statement of representation" for the first six months of 1989 which assured regulators that administrative rules were being complied with. In fact, Imro found that it had not been deliberately misleading. We regret the error.

Stagnant output puts chances of upturn in doubt

By Rachel Johnson, Economics Staff

UK manufacturing output stagnated in the third quarter, according to official figures, which yesterday raised doubts about the government's forecasts of a second-half recovery.

Production data from the Central Statistical Office (CSO) showed that manufacturing output – about a quarter of gross domestic product (GDP) – has barely moved since April.

In last week's Autumn Statement, the government forecast a rise of ¾ per cent in GDP between the first and second half of the year and a rise of ½ per cent in manufacturing output over the same period.

The index for manufacturing stayed unchanged between August and September, a result the Treasury called "weaker than expected." A rise of ½ per cent had been predicted on the back of strong car production in September.

The disappointing figures – coupled with diminished hopes of an interest rate cut – hit the stock market. The FT-SE 100 index fell 29.0 to 2546.5 as the production data compounded worries of lower profits and earnings next year. The three-month interbank money rate closed at around 10%, after a previous 10½, with sterling's position on the foreign exchanges ruling out an interest rate cut.

Between the second and third quarters of this year factory output also failed to rise, in spite of hopes that higher business confidence would have translated into higher production over the quarter.

A strong performance from the chemical industry – up 4 per cent between the second and third quarters – was responsible for propping overall output in spite of the continuing decline in engineering and slack production levels in the food, drink and tobacco and textiles industries.

Manufacturing output is 5.3 per cent below levels in the third quarter of last year.

Industrial production rose a provisional seasonally-adjusted 0.8 per cent in September after a revised 1.8 per cent fall in August.

CSO officials attributed the sharp fall in August to erratic car production and the small rise in September to higher car and oil output.

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Stock market, Page 29

Manufacturers still confident of recovery

By Peter Marsh, Economics Staff

MANUFACTURERS from nearly every region in the UK expect a recovery over the next four months, according to a survey by the Confederation of British Industry and Business Strategies, an economics consultancy.

According to the survey published yesterday, 10 out of 11 regions expect either manufacturing demand or output to increase by February 1992. The exception is the West Midlands, where manufacturers expect a further decline, although at a slower rate than over the past year.

Manufacturers in the east Midlands and Wales are the most bullish about economic prospects, while those in south-west and north-west England are the most pessimistic.

London and the south-east, the most economically active region, which accounts for about a third of UK gross domestic product, has seen a continued fall in demand in recent months, but at a rate slightly below the average for the country as a whole.

Despite signs of an upturn, all regions are likely to experience further big manufacturing job losses over the next few months, the study says. In the third quarter, manufacturing employment dropped by an estimated 70,000.

Contest strengthens Major's hand on Europe

By Ralph Atkins

A CONVINCING victory in elections for Conservative party's European affairs committee last night strengthened Mr John Major's hand against rebel MPs in the run up to December's European summit at Maastricht.

Sir Norman Fowler, former employment secretary, was elected chairman of the committee in a contest that took on unprecedented importance for the parliamentary party. He defeated Mr William Cash, a prominent Euro-sceptic.

More than 200 Tory MPs – including Mr Edward Heath, the former Tory prime minister – voted amid chaotic scenes in a cramped Commons' room.

Party managers refused to reveal the results but the estimated three to one victory for Sir Norman will help Mr Major isolate Euro-sceptics in his party, including Mrs Margaret Thatcher, another former prime minister.

Pro-European MPs also defeated anti-EC candidates to win the two posts of vice chairman of the committee and its secretary.

In contrast to his predecessor, Sir Norman is expected to back Mr Major unreservedly in the approach to Maastricht and will be more acceptable to Downing Street as representing backbench opinion.

Downing Street, although officially playing not part in the contest, was clearly pleased with the result of what became a dry run for future battles over European unity, including next week's Commons debate on Europe.

The contest sparked angry scenes in the Commons' committee corridor. Mr Cash's supporters protested at the break with tradition in a former Cabinet minister running for what is usually a low-profile committee post.

Mr Norman Tebbit, former party chairman, who had considered running for chairman as a Euro-sceptic, had to walk across tables in the room to cast his vote within the five minutes allowed.

"It was conducted like a strike meeting. . . The whole thing was unprecedented," Mr Tebbit said.

Others MPs complained of scenes like "feeding time at the zoo" or "a futures market".

Mr Cash's supporters disputed Sir Norman's claim to have won by a wide margin. The government did not wish to reveal a closely contested race, they said. Sir Norman, however, said the result showed Conservatives "four square behind the government's negotiating position as far as Maastricht is concerned."

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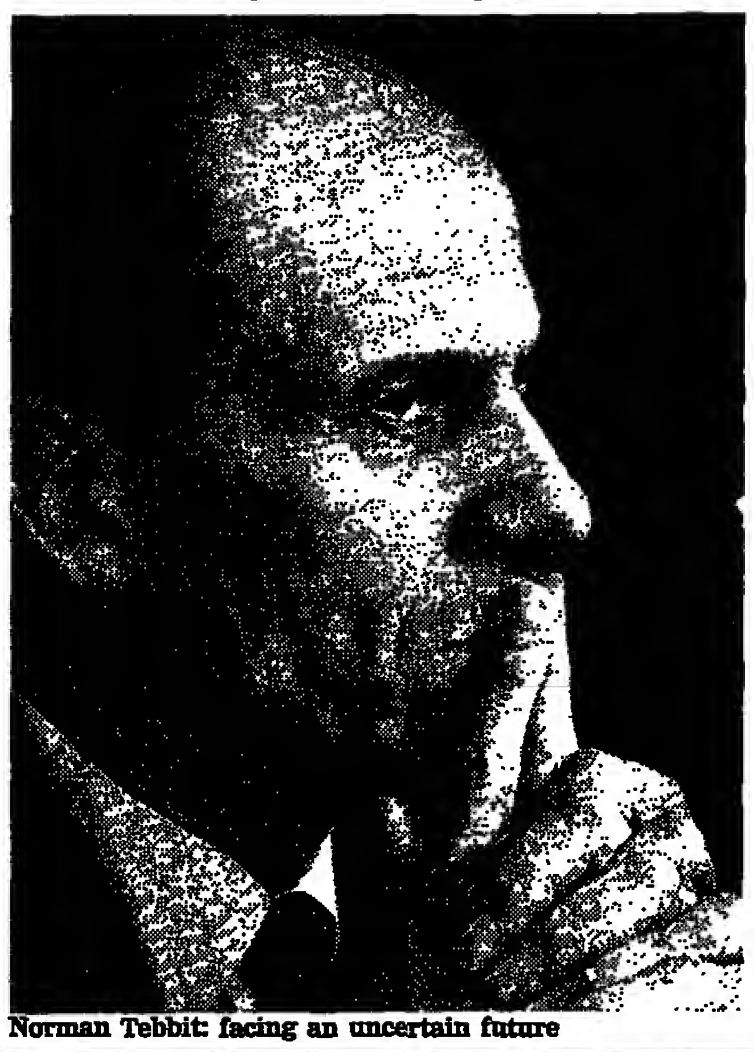
Editorial Comment, Page 24



Norman Tebbit: facing an uncertain future

Decline and fall of a Euro-sceptic

Philip Stephens on why Norman Tebbit is no longer a political force

IN THE frenetic moments last November after Mrs Margaret Thatcher surrendered the Conservative party leadership, a group of her most ardent admirers surrounded Mr Norman Tebbit in one of corridors of the House of Commons.

He should carry the Thatcherite standard in the leadership fight, they demanded. Mr Tebbit – a former chairman of the party and trade and industry secretary – demurred. He would back Mr John Major. He was her chosen successor.

A year on, many in that same tight-knit group urged Mr Tebbit to put his name forward for a more modest post.

Fearful of a "sell-out" of British sovereignty at the Maastricht summit, they wanted him to stand for the chairmanship of the Tory backbench committee on Europe, which was won by Sir Norman Fowler last night.

A victory for such an outspoken Euro-sceptic, the argument ran, would have sent a powerful message to Downing Street about the mood of the party at Westminster. Mr Major would compromise with his European partners at his peril.

Mr Tebbit considered their arguments – and then decided not to run. The explanation offered by the former party chairman yesterday was that had he won, it would have been interpreted as a defeat for the prime minister. Most of his colleagues were less charitable.

Their assessment was that just as a year ago Mr Tebbit had realised he could not win the party leadership, he understood that against a candidate backed by Mr Major he would be similarly sidelined in the committee elections.

"He funked it," was the judgment of one of Mr Fowler's friends. "His currency has been devalued," added a minister in an intentionally spiteful reference to Mr Tebbit's hostility towards Mr Major's willingness to accept the possibility of a single European currency.

Most were not quite so harsh, but it was hard to escape the conclusion that Mr Tebbit's high profile in the media is no longer matched by his influence in the corridors of power.

In the first months of this year, Mr Tebbit was a frequent visitor to Downing Street, sought out for his advice and reassured that the prime minister would remain loyal to his Thatcherite inheritance. As he began reversing Mrs Thatcher's approach to Europe and of sinking the poll tax, Mr Major needed Mr Tebbit's support.

By the spring, however, Mr Tebbit had become restless, leading an abortive rebellion against plans to allow more Hong Kong citizens to enter Britain. It had become clear that Mr Chris Patten, the party chairman, would not offer him a high-profile role in the general election campaign. Mrs Thatcher, meanwhile, was rapidly becoming disenchanted with her successor.

More recently, Mr Tebbit is said to have become agitated by reports of Mr Michael Heseltine's increasing prominence in government decision-making. He has not forgiven his former cabinet colleague for prompting the leadership election which toppled Mrs Thatcher.

Mr Tebbit's strident attacks on European integration – particularly against the carefully-crafted compromise on a single currency backed by Mr Major – have completed the estrangement. He is seen in Downing Street as a surrogate for Mrs Thatcher, willing to put his personal profile ahead of the Conservatives' chances of re-election.

The typically blunt terms in which he frames his thoughts on Europe – talking again yesterday about the threat of a resurgence of fascism and the alleged propensity of the French to turn water cannons on nurses – are seen as out of touch with reality. He speaks still in the harsh language of Thatcherism. Mr Major prefers a softer tone.

Mr Tebbit will not vanish from the stage. He is an accomplished politician whose right-wing instincts strike a chord in every saloon bar in the country. But in the politics of Mr Major's government, his time has passed.

Smaller army 'will meet commitments' says minister

CONTROVERSIAL army cuts might have to be reconsidered if a large number of British troops were required for peacekeeping forces in eastern Europe, Mr Archie Hamilton, armed forces minister, told a House of Commons committee yesterday, writes David White.

However, he made clear that only an unforeseen new commitment would persuade the government to go back on its plans to reduce army strength by 40,000 to 116,000. The reduced army planned for the mid-1990s allowed for "a margin of error" and a large degree of flexibility, he said.

"We would not have allowed this figure to go forward unless we were confident in our own minds that we could fill the commitments that we have," he said.

Pressed on the government's reasons for making further reductions after initially setting a target figure of 120,000, Mr Hamilton said a range of figures had been discussed.

"All I would say is that 116,000 was not the lowest option," he said, denying that the extra cut was imposed by the Treasury.

The new figure was the result of careful assessment, mainly reflecting reduced requirements for British troops abroad. Some 32,000 personnel were to be removed from the British Army of the Rhine, 3,000 from Berlin, 4,000 from Hong Kong, with further reductions being made in headquarters, training and support units in the UK.

By 1997, Mr Hamilton said, the number of infantry battalions required for the Britain's Nato role, direct defence of the UK and overseas commitments would be 19 fewer than now. But the government's much-contested plans foresaw a reduction of only 17 battalions. The selection of regiments for amalgamation had been made "on the fairest basis possible", he said.

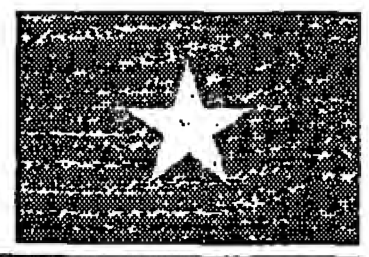
Mr Michael Mates, Conservative chairman of the cross-party committee, challenged Mr Hamilton to justify cutbacks in training activity, arguing that these were not only reducing the army's capability but were also hitting morale.

Hamilton: army assurance

FINANCIAL TIMES SURVEY

VIETNAM

Thursday November 14 1991



■ **Agriculture:** Pedal power delivers the goods before dawn every day **Page 3**

Although the Vietnamese are beset by poverty, they feel they are now poised for prosperity. **Alexander Nicoll** examines the atmosphere of reform in a country which is desperately waiting for the US to lift its diplomatic and economic embargo

Ready for the green light

A SPIRIT of enterprise has replaced the food queues and coupons, the curfews and checkpoints which used to characterise Vietnam's authoritarian regime.

Though the Communist Party still tolerates no challenges to its monopoly on political power it is rapidly letting go of the reins of central control of the economy. It has unleashed capitalists eager to take advantage of the country's rich natural resources and industrious labour force.

The Vietnamese remain beset by poverty. But they are proud after decades of struggle to assert their independence against the French, Americans and Chinese – as well as the war among themselves leading to the unification of north and south in 1975. They now feel they are poised for prosperity and are desperate for the world, and especially the US, to recognise their achievements.

Aid from international institutions, urgently needed to upgrade the country's infrastructure and provide the seed capital for growth, is blocked by a US embargo on dealings with Vietnam. Foreign companies, though excited at the prospects, remain hesitant to invest significant funds.

While the US balks at unlocking the future of a country which brought it so much grief, the Vietnamese are enthusiastically making the most of their limited resources. Stalls selling cigarettes, drinks, farm produce, petrol and cycle parts have sprung up throughout Hanoi, as poor families seize the opportunity to earn a little extra income. Markets for clothes and household and electrical goods are booming in the capital and in the commercial centre, Ho Chi Minh City.

The new atmosphere is a result of the *doi moi* economic renovation policies launched by the government five years ago – though agricultural reforms actually began to dismantle the collectives in 1979, a mere four years after the south was "liberated".

Doi moi was an admission that the centrally planned, collectivised economy could not deliver an improvement in living standards. Having viewed with dismay the collapse of communist parties in the rest of the former Soviet bloc, the Vietnamese party hopes to achieve what they did not: a planned switch to a market-driven economy without political instability or loss of power.

Motorcyclists and cyclists wait for the off in Ho Chi Minh City, the country's bustling commercial centre

Picture: Stefan Wagstyl

The renovation of Vietnamese industry and agriculture has been rudely forced into a second stage over the past two years by the collapse of subsidised trade with the Soviet Union and eastern Europe. Suddenly, exporters' prices and quality have to be competitive, and market prices must be paid for imports.

Though there has been undoubted economic progress in the paddy fields and in parts of industry, formidable obstacles still stand in the way of lasting progress.

The country is starved of capital for investment. This is not only because of the US embargo; it is also due to the inadequacy of the banking system, which has been used almost entirely as a conduit for subsidy to unprofitable state enterprises.

This, coupled with high inflation and the absence of instruments to fight it, keeps savings from being put to work within Vietnam and instead encourages a boom in spending on imported consumer items such as motorcycles and cigarettes. Foreign currency is drained out of the country, causing balance of payments problems and an inexorable weakening of the currency, the dong.

For the Vietnamese, however, the outside world remains frustratingly slow to recognise the steps taken so far to open the economy.

According to Mr Phan Van Khai, one of the chief architects of reform, who became deputy-prime minister in June, "we have achieved many important results in a short period". He said in an interview: "Our policy is to encourage the whole people to get rich. We are applying the slogan: only when people are prosperous is the country strong."

The most obvious area of progress is agriculture, by far the largest sector of the economy. Peasants now lease their land and are free to buy inputs and sell produce at market prices. This has resulted in a rise in agricultural production and yields, and exports.

The second aspect of *doi moi* consists of dismantling price controls, abolishing multiple exchange rates, and eliminating subsidies for state industries. These are model steps to a market economy, applauded by the International Monetary Fund. However, their success has so far been partial.

Mr Le Dang Doanh, deputy-director of the Central Institute for Economic Management and a government adviser, says: "State-owned enterprises produce 26 per cent of GDP, using 75 per cent of fixed capital and 13 per cent of the labour force but using entirely the educated intelligentsia, and 86 per cent of credit volume."

Banks lend to them at lower rates than they pay depositors – though sharp rises in interest rates have reduced inflation, now running at about 4.5 per cent a month.

Many industries are operating with obsolete equipment and producing uncompetitive products. The state can no longer afford to support them, and so closures and job cuts are occurring, even though unemployment is already high. The government needs to improve its own finances by strengthening the collection of taxes.

However, Vietnam cannot really transform its economy without foreign help. Thus the third element of *doi moi* is the promotion of foreign investment through a law which compares well with those of south-east Asia, and through creation of a one-stop agency to deal with applications.

Official aid, especially from the IMF and World Bank, would act as a catalyst for private investment. According to the United Nations Development Programme, which works closely with the government, the biggest financing needs are for improved infrastructure, especially transport; for supply of agricultural inputs; for re-equipment of industries; and for generation of employment for discarded state employees and demobilised soldiers.

This must await the end of the US embargo. The conditions most recently applied by Washington are peace and democracy in Cambodia – whose warring factions last month signed a peace agreement – and progress on the issue of 2,273 American servicemen unaccounted for after the war in Indochina. Since July this year, the US military has had a team resident in Hanoi, working with the Vietnamese authorities on the issue. It remains to be seen what Washington will count as progress.

Vietnam is seeking to upgrade its international relationships. Ties with Beijing have been resumed following compromises by both sides over Cambodia, where each was supporting factions in a 12-year civil war. The goodwill generated by the Cambodia accord is leading to closer relations with south-east Asia, Australia and Europe.

Vietnam's openness on the economic front and abroad might in the end lead to contradictions with communist dogma and to internal pressures for greater democracy. For the time being, however, party officials have espoused *doi moi* as the only course open to raise living standards.

Meanwhile, the authoritarian aspects of communist rule remain. There are only token elections for the National Assembly. Press freedom is restricted: officially, no private body is allowed to publish a newspaper, and editors publishing stories which offend the party are shifted to other jobs. Some people are still being "re-educated" in camps following unification in 1975.

The country remains poor. Stallholders are often seeking merely to supplement the low wages they earn as civil servants. Though Vietnamese people and many foreigners are excited about the country's tremendous prospects, they remain prospects. A lot more hard work and outside help will be needed to complete the transition to prosperity.

IN THIS SURVEY

Foreign policy is dominated by the effort to normalise ties with the US

Economic embargo hampers development

IN WAR it is usually the losers who must sue for peace. But in Vietnam it is the other way around – 17 years after the fall of Saigon, Hanoi is begging Washington to establish diplomatic relations and Washington has the luxury of saying "no" or at least "not yet".

The effort to normalise ties with the US now dominates Vietnamese foreign policy. Everything pales in comparison with the need to persuade Washington to lift its long-standing economic embargo, which prevents Vietnam from securing access to aid from the US, most other industrialised countries and from multilateral agencies. Without aid, the country's economic reconstruction has little hope of success.

France, the old colonial power, and other western countries have urged Washington to respond quickly to Hanoi's advances. But so far to little avail. According to diplomats in Hanoi, the US administration is unlikely to lift the embargo until after the next autumn's presidential elections.

The delay could not have come at a worse time for Hanoi, since the collapse of communist power in the Soviet Union has robbed Vietnam of its biggest aid donor and political supporter.

Vietnamese officials are frustrated because they believe they have done more than enough to meet US demands on the two issues to which Washington has attached the greatest importance – making peace in Cambodia and the search for American servicemen listed as missing-in-action (MIA) from the Vietnam war.

Mr Phan Van Khai, the deputy prime minister, said in a recent interview with the Financial Times: "You should make it clear to the world that it is unfair on the part of the US to continue with the policy of embargo against Vietnam."

Vietnam holds a fair share of the blame why the improvement of ties has been delayed over the past 17 years. In the immediate aftermath of the fall of South Vietnam, some industrialised countries were ready to aid the war-ravaged country. But Vietnam's invasion of Cambodia in 1978 and the installation of a Vietnamese-backed government in Phnom Penh prompted almost all western countries to cut their support. It killed any hope of generating goodwill in the US and bitterly angered China, Vietnam's old enemy which supported Khmer Rouge resistance to the new regime in Phnom Penh. Relations with Beijing deteriorated to the point of that the two countries fought a bitter border war in 1979.

To make matters worse the communist party's vigorous repression of its domestic political opponents and pursuit of Stalinist-inspired economic centralisation persuaded some 700,000 Vietnamese to flee the country, many of them by boat.

This further alienated Vietnam's potential friends in the western community and it was forced to rely more than ever on support from the Soviet Union.

Even today, senior Vietnamese officials will not admit publicly that the invasion of Cambodia was a mistake which put back post-war recovery by a decade. They prefer to change the subject rather than criticise the past leaders who still retain some power in the party and the army. But the shift in policy from external expansion to internal reconstruction is unmistakeable.

Vietnam publicly withdrew most of its troops from Cambodia in 1989, although it left behind several thousand soldiers, including military advisers. The armed forces which numbered 1m in 1989 are being cut in half – as evidenced by hundreds of demobbed and unemployed soldiers on the streets of Hanoi and Ho Chi Minh City, still wearing their helmets and green uniforms.

Meanwhile, Hanoi has successfully made overtures to China which paved the way to the signing last month of a peace treaty in Cambodia. Last week Mr Do Muoi, the Vietnamese communist party general secretary, and Mr Vo Van Kiet, prime minister, visited Beijing for a summit with Chinese leaders which marked a dramatic improvement in relations. Cross-border links, cut for more than a decade, were restored. Vietnam has also repaired ties with other countries in the region and with Britain by agreeing to the repatriation of boat people from camps in Hong Kong.

When the Cambodian peace treaty was signed last month, Vietnamese officials hoped the US might signal its approval by making some concrete concessions, especially as Hanoi had during the summer allowed Washington to establish in Vietnam an office to co-ordinate searches for missing American servicemen.

But so far Washington has shown little sign of budging from a two-year programme of normalising relations – called "the road-map" – which was presented to Hanoi early this year. Following the Cambodia treaty ceremony, the US administration merely said it was ready to start discussing the normalisation of relations – stage one of the process. According to reports from Washington, stage two envisages the establishment of a United Nations peace-keeping force in Cambodia, followed by a partial lifting of the embargo against Vietnam and a more extensive lifting of an embargo against Cambodia. Vietnam will also be required to continue co-operating in the search for MIAs.

Stage three would not start until at least six months after the arrival of UN forces in Cambodia and after the withdrawal of the last Vietnamese soldier from Cambodia. It would see the full lifting of both embargoes, including end of US opposition to lending by the World Bank and other agencies.

Stage Four would begin with the holding of elections in Cambodia and include the full normalisation of economic and diplomatic relations.

According to this schedule, Hanoi could not expect funds to be released from the multilateral agencies until the end of next year, and then only if the American conditions are met.

"The road map is very tough for us," says Mr Nguyen Dy Nien, Vietnam's vice-minister of foreign affairs. "There are many conditions.

The collapse of communist power in the Soviet Union has caused some heart-searching in the Vietnamese communist party about the true road to socialism. However, the main impact has not been ideological but economic. The Soviet Union was Vietnam's biggest trade partner, supplying manufactured goods and industrial raw materials at low prices. In the past two years, these subsidies have disappeared as Moscow has begun to price its goods at world market values and to demand payment in hard currency. Hanoi wants to maintain trade links since the quality of many of its manufactured goods is too low for western markets but adequate for the former Soviet bloc. Mr Nien says: "We want good relations with the Soviet Union and with the republics."

Stefan Wagstyl

Toasting friendship: Chinese communist party chief Jiang Zemin, his Vietnamese counterpart Do Muoi, Chinese prime minister Li Peng and Vietnamese prime minister Vo Van Kiet

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The party has staked its future on reform, says **Alexander Nicoll**

Capitalist forces unleashed

VIETNAM is a communist country in which a politburo member can say, "at the moment, the situation here is neither socialism nor communism" – and yet profess satisfaction with the direction of events.

Pham The Duyet, the senior party official responsible for Hanoi as secretary of the city's People's Committee, asserts that the promotion of the private sector "is in keeping with natural law and we have to do it". He insists: "We are following the path of communism."

On the face of it, the path would appear to have been well and truly abandoned by the doi moi economic renovation policies which have now been officially in place for five years but actually began 12 years ago.

However, in spite of conflicts within the party over the pace of reform, there is no indication of outside challenge to its hegemony. Indeed, the Communist Party of Vietnam has paradoxically staked its future on the success of steps (albeit deliberate and organised) towards a market economy.

For how long its position will remain tenable in a country in which 68 per cent of the population is under 30 and when the south has had only a relatively short acquaintance with communist ideology must remain an open question.

However, many Vietnamese who favour more democracy also feel that a country which has carefully positioned itself to rise out of poverty cannot afford the chaos that accompanied the collapse of communism in the rest of the former Soviet bloc. The need for a general rise in living standards is seen as paramount.

The cause of reform was strengthened by leadership changes

Therefore, it would probably be naive to expect Vietnamese communism to crumble in the face of the capitalist forces which the party has itself unleashed. For the foreseeable future, it will be more profitable to examine the substance of party policy and the sometimes fierce debates within the party on its course.

The cause of economic reform was strengthened by leadership changes in June 1991. Vo Van Kiet and Phan Van Kai, the two leading architects of change, were promoted to prime minister and deputy prime minister respectively. Do Muoi moved up from the premiership to become general secretary of the party, replacing the elderly Nguyen Van Linh who had championed reform. Mr Muoi is seen as a hard-headed and decisive pragmatist who will continue to back Mr Kiet and Mr Kai provided that the party's supremacy is maintained.

The changes saw the departure of some old hard-liners – in particular, supporters of the late Le Duc Tho – but the retention of some others such as his brother, Mai Chi Tho (though no longer as interior minister), and Le Duc Anh, former defence minister.

The Seventh Party Congress, at which the changes took place, further advanced the reform measures. Party members are now deep in discussion over constitutional amendments to facilitate the opening of the economy – for example, establishing the legal basis for privatisation.

There are potentially strong political forces waiting in the wings should the party's reform policies stumble.

Closures in inefficient state industries have already caused job losses and will cause a lot more – the unemployment rate is difficult to estimate but is certainly already very high.

Civil servants, in oversupply in a highly bureaucratic country, face similar cuts and are also very poorly paid.

A third important element is the provincial party authorities. Power in Vietnam is quite devolved, with local party officials enjoying considerable sway. The central authority will need to carry them along and has so far done so probably because agricultural reforms have brought greater prosperity.

Meanwhile, young people enjoying the fruits of the new consumer-oriented economy will be less and less likely to accept party dogmas and could demand a political voice though there is little sign of this so far.

At the other end of the spectrum is the military, probably unhappy that the end of the Cambodian conflict is bringing a halving of its strength to some 600,000 men. Its loyalty to the party is not in question.

Party members there are still more than 2m – seek to justify its continued supremacy on several grounds. First, they argue that its base was less in communist ideology than in the struggle for freedom from centuries of domination by foreign powers – China, France, Japan, the US. Ho Chi Minh, the founder of Vietnamese communism, continues to be revered as the country's liberator.

This nationalist case for party power, and the differences between the early development of the Soviet and Vietnamese parties, are increasingly being rehearsed as communist parties elsewhere collapse.

A contrary view would be that the Soviet collectivist structure and dogma were fully applied in Vietnam, and that the party was forced to turn to alternatives by the system's evident bankruptcy and widespread poverty. However, the strong feeling against a bourgeois domination generated by years of colonialism, and a general desire not to see widening gaps between rich and poor, should not be underestimated.

A second and powerful argument is that if there is to be political change, it must be

The unemployment rate is certainly already very high

gradual and, in any case, now is not the time for it. Any kind of instability would discourage the foreign investment that government policy has been geared to attract.

Mr Ly Chanh Trung is a non-party member and southern intellectual who sits on the National Assembly and has argued for more press freedom and greater democracy. But he says he does not wish to see other political parties yet because "it would create the possibility for instability. We do not have enough time for it. From now until the year 2000, we have to run at top speed in our national development, in order to end up more or less on a par with our neighbours.

"The best thing to do now is for the Communist Party to provide the lead and to go as far as it can towards democratisation," Mr Trung says.

Third, the Communist Party, it is argued, is not a monolith, but admits debate. The National Assembly of which 7 to 8 per cent of members come from outside the party, has been flexing its muscles. The party is said to be more responsive to popular criticism – and newspapers, especially in the south, can be very critical of the government.

If these arguments hold and economic progress continues, the Vietnamese party will pull off a trick so far managed by neither China nor the European communists. But the political obstacles are likely to grow rather than diminish.

Profile: PHAM THE DUYET

Party boss with air of relaxed pragmatism

MR PHAM THE DUYET, former mine manager, ex-trade union leader and now the boss of the communist party in Hanoi, receives visitors in a large colonial villa complete with a carriage drive.

"I like French buildings," he says shortly after shaking hands on the wide stone steps. "French architecture is an aspect of French civilisation which is worth learning. Socialism must learn from capitalism if it is to overcome capitalism."

Mr Duyet, who is 56, is one of the youngest members of the ruling communist party's politburo. A broad-shouldered man with big hands and an easy-going manner, he looks as if he alternately fought and charmed his way to the top. An economist by training, his first important job was the tough assignment of managing a large coal mine. This was followed by the presidency of Vietnam's trade union confederation. He moved to his present post in 1987.

Mr Duyet shows the relaxed pragmatism which characterises many senior officers of the Vietnamese communist party. He has little difficulty coping with the contradictions between the ideology of Marx, Lenin and Ho Chi Minh and the free-market reform programme to which the party is now committed.

He praises the efforts of private entrepreneurs who are building some 200,000 square metres of housing a year in Hanoi, compared with a peak of 150,000 square metres in the years of central planning.

In the past two years 80,000 private businesses have been started in Hanoi, he says, compared with almost none in 1988. The number of family-owned shops has soared from 20,000 to 40,000, says Mr Duyet.

Similarly, the dismantling of agricultural collectives and the parcelling out of land to peasants has transformed agriculture in the city and its environs. "Three or four years ago we were in great difficulties with our food supply. We had to import from south Vietnam. Now food is abundant."

At the same time, between 50 per cent and 70 per cent of the city's publicly-owned businesses are in grave financial difficulties and in need of urgent attention, says Mr Duyet.

But the success of private enterprise does not trouble Mr Duyet in the least. Neither socialism nor communism exists yet in Vietnam, he says, but socialism is advancing, he says.

But surely socialism is on the retreat given the growth of private enterprise? Not in the least, replies Mr Duyet. Vietnam has plenty of capitalists, he argues, but it does not have capitalism. Land remains wholly in the hands of the state so Vietnam cannot be said to be capitalist.

Years spent climbing the party's ladder have trained Mr Duyet to cope smoothly with this sort of argument. Indeed, he seems to enjoy it. Debating the party's programme with visitors is much less difficult than trying to apply it in practice in a city as large as Hanoi.

The population has risen from just 200,000 when the French abandoned Hanoi in 1954 to nearly 3m. But public investment has not kept pace. In the centre, most colonial-period villas look as if they have not been painted in 40 years. Surrounding them in all directions are streets of low-built single-room houses with few windows and illuminated at night by the yellow glow of low-wattage light bulbs. Everywhere, people work on the roads – buying and selling, repairing bicycles, cooking and even welding. Power cuts are frequent. Buses are decrepit. People go everywhere by bicycle and motorcycle.

Mr Duyet says: "What we now need most is capital. If the US lifts the embargo then capital can flow in for our benefit and the benefit of foreign companies."

Stefan Wagstyl

Stefan Wagstyl investigates the cautious approach of foreign investors

Still the domain of the trader

IN Ho Chi Minh City, billboards praising communism are today dwarfed by those extolling the power of capitalism: for every mention of Marx or Lenin or even Ho Chi Minh, there are a score of advertisements for foreign companies. On top of a city centre office building, the name of Sony, the Japanese electronics company, jostles for space with Philips, the Dutch group. Nearby there are Citizen, the Japanese watch maker, Microsoft, the US software house, and Castrol, the British lubricant manufacturer.

Foreign companies are keen to make an impression in Vietnam. Some 6,000 foreign businessmen visited the country last year; this year's figure will top 10,000. But what is far less clear is how many of those businessmen are yet ready to commit themselves to a country which as recently as five years ago was virtually cut off from the non-socialist world.

Certainly, foreign companies have since 1988 promised to invest an impressive total of more than $2bn. However, only some $600m has so far actually been spent. Moreover, the total pales in comparison with the direct investment which nearby Thailand has attracted over the same period. As Mr Nguyen Xuan Nguyen, chief executive of Investip, a Hanoi-based investment consultancy company, says: "In the last two years there have been lots of meetings and lots of talking but not enough results. Foreign companies are serious but they are very cautious."

The biggest investors are the international oil groups which have agreed to invest some $500m in the hugely-expensive business of off-shore exploration off the coast of central and northern Vietnam. They plan to invest at least as much again prospecting in southern waters, which are regarded as much more promising, once they get permission to enter this area, probably later this year.

Mr Mai: lessons from history

In other fields too, companies have made substantial investments. Overseas Telecommunications Corporation International, the international arm of Australia's telecoms monopoly, has almost single-handedly connected Vietnam to the western world by installing international telecommunications links.

But other large companies have mostly been testing the water, and keeping their investments small. Tootal, the British textiles company, has, for example, has a joint venture capitalised at just $1m producing sewing thread. Small and medium-sized groups, particularly companies from Taiwan, Hong Kong, South Korean and Japan, have been more adventurous – investing in processing fish and other food, timber and textiles.

Vietnam is, by and large, still the domain of the trader, even of the merchant adventurer. "It is frontier stuff," says Mr John Brinsden, the representative of Standard Chartered Bank in Ho Chi Minh City. The Japanese electronics companies, the names of which emblazon the billboards, are talking about investing in Vietnamese plants, in some cases about re-investing in plants in the south of the country which they used to operate before the fall of South Vietnam in 1975. But for the moment, business between Viettronics, the state-owned electronics enterprise, and Japanese makers is limited to the final assembly of televisions and other equipment supplied as kits on the basis of one-off contracts.

Vietnam has important attractions for foreign companies – cheap and well-disciplined labour; an abundance of food for export, including rice and fish; mineral resources; and a potential mass-market of 65m people. But all this can be exploited only with capital. As Mr Tran Lum, the minister for heavy industry, says: "Vietnam has big potential in natural resources and labour. Our big problem is finance."

In spite of ruling in the name of a communist party, the government is pursuing free-market economic reforms which envisage an important role for foreign enterprise. Pragmatism not ideology characterises most economic policies. Mr Nguyen Mai, vice-chairman of the State Committee for Co-operation and Investment (SCCI), says: "We have learnt from the past."

Since 1988, Hanoi has composed a liberal set of rules for foreign investment: foreign companies are permitted to invest up to 100 per cent in almost any field, have rights to repatriate profits and enjoy a host of tax-breaks and other incentives. To streamline decision-making, the SCCI handles virtually all investment approvals.

Nevertheless, there are still good reasons for foreign businessmen to be cautious about investment. Vietnam is one of the poorest countries on earth with an average income per head of under $200 a year and years away from being a mass market for many goods. The infrastructure suffers from the ravages of war and decades of under-investment: power cuts are common; north and south are linked by a slow single-track railway line little changed since it was laid by the French colonial government; bomb craters still ring Hanoi airport; there are no modern hotels in Hanoi and only one in Ho Chi Minh City, the Saigon Floating Hotel, a ship moored on the Saigon River.

In spite of the reforms, Vietnam still lacks a coherent body of commercial law, let alone the skilled officials needed to implement it. The same is true for banking. While the government is committed to introducing a free market, some powerful officials are not, notably the directors of loss-making state-owned enterprises.

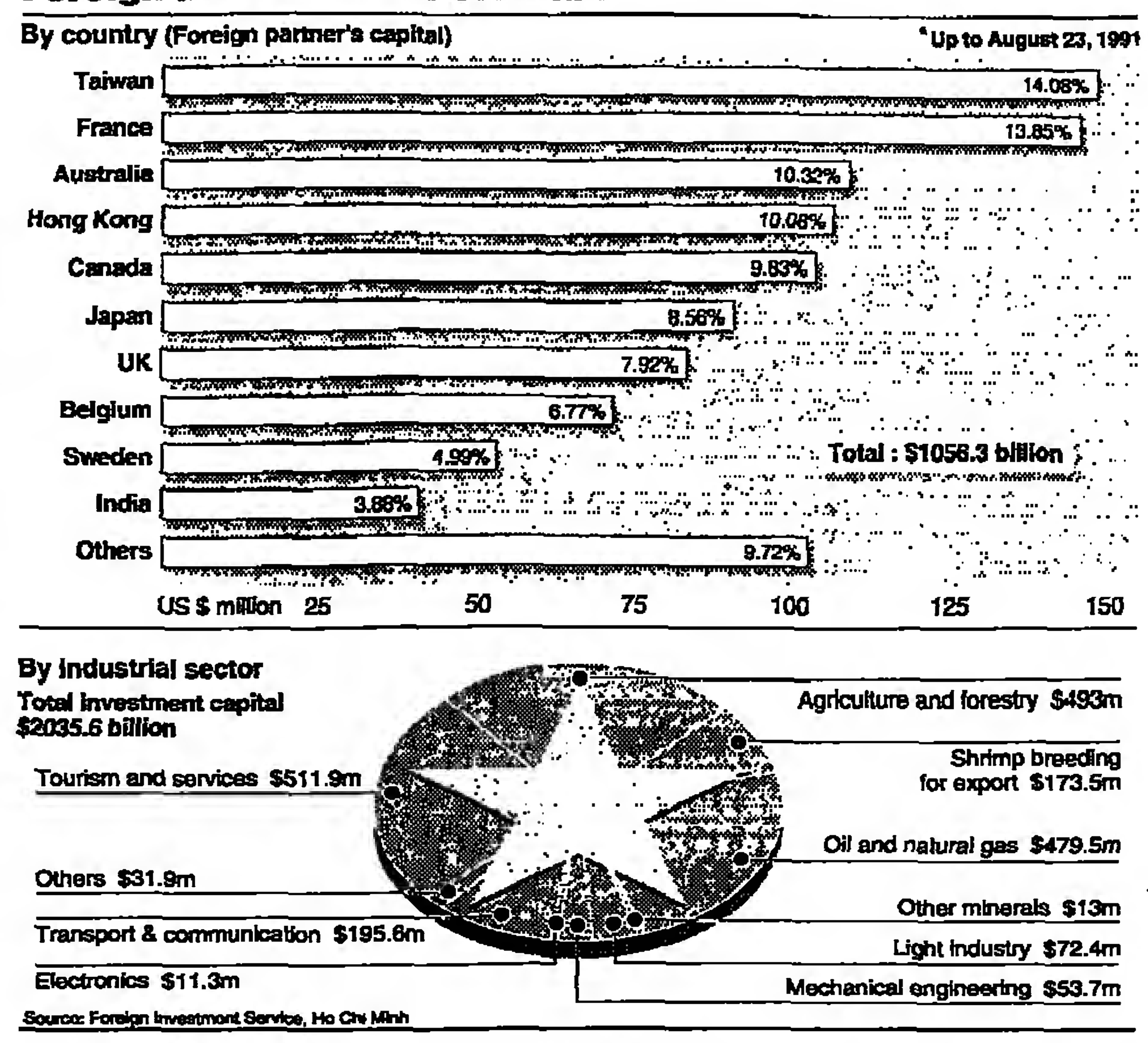
The state of the economy is another cause of uncertainty. Domestic inflation, running at around 75 per cent this year, has cut the value of the Vietnamese dong against the US dollar by two thirds in the past 18 months. Devaluation on this scale reduces the costs of local production for export but constantly increases the price of imports, including capital equipment.

Furthermore, the US embargo casts a blight on the economic future. This bans US companies and government agencies from investing in Vietnam or giving economic aid. It also makes Japanese companies wary of large investments for fear of provoking a backlash in the US. Honda Motor, the car company, in 1988 pulled out of a plan to build a motorcycle factory in Vietnam for this reason. Finally, the embargo prevents multilateral bodies such as the International Monetary Fund or the World Bank from extending support.

However, even in this difficult environment, opportunities abound. The question for many foreign businessmen visiting Vietnam is not whether to try to exploit them but when to do so.

Some companies like the oil groups do not baulk at multi-million dollar investments. For example, Krupp, the German steel group, is with partners considering an investment in a $1bn iron ore mine at Nghe Tinh on the coast of northern Vietnam, while Japanese and other foreign groups are bidding for a $1bn oil refinery project.

It is hard to imagine how these big investments might be funded without some support from government and multilateral agencies. However, the government has, with assistance from the United Nations, compiled a list of 187 projects, most of which require investments of under $10m. They include hotels, small-scale fertiliser plants, shrimp packing stations and a factory for making tea bags.



Source: Foreign Investment Service, Ho Chi Minh

Oil companies line up to explore southern waters

Hopes for a quick fix

MR TRUONG THIEN, chairman of the state-controlled Vietnam Oil and Gas Corporation, is about to make the most important business decision of his career. As the man responsible for overseeing oil and gas development he must soon choose which international companies should be granted licences to go prospecting in waters off southern Vietnam, one of the most desirable areas of exploration territory anywhere in the world.

With 27 companies vying for 10 blocks on offer, Mr Thien probably receives more foreign visitors then any other public official in Hanoi. Almost every day, oil company executives call on his office in a crumbling colonial villa to present their latest amendments to bids for exploration rights.

"Foreign companies are interested in all parts of the country. But in the southern part almost every giant international company is seeking a licence," says Mr Thien, who is expected to submit a decision on the new licences for government approval before 1992.

Ten groups of foreign companies have been exploring in Vietnamese waters since licences were first issued in 1986. But they regard the blocks that Vietnam is now auctioning as a better prospect than anything they have already explored because the territory lies close to Vietnam's only large producing field, White Tiger. White Tiger was discovered by Mobil, the US company, before the fall of South Vietnam in 1975 and has since been operated by Vietsovpetro, a Vietnamese-Soviet joint venture.

Oil is crucial to Vietnam's economic future. If enough is found, it could rapidly enrich the country, providing funds for much-needed infrastructure development. "It's their only chance of a quick fix," says one oil industry executive.

A quick fix of this scale is statistically unlikely, given the risks involved in oil prospecting. But Vietnam hopes that oil output will gradually rise from around 2.5m tonnes last year to 3m tonnes in 1991 and 7m tonnes a year by 1995. This last figure would include 5-6m tonnes from Vietsovpetro and 1-2m tonnes from new discoveries in blocks now under exploration.

Even this outlook may be overly optimistic, given the current exploration results of foreign companies. Since 1988, foreign companies have spent some $500m and braved typhoons exploring offshore in central and northern Vietnamese waters. In spite of drilling 16 holes, not one commercially-viable deposit has been identified. "The results have been disappointing for all of us," says one western executive.

Almost all these companies are now bidding for southern blocks and they hope that their past efforts will be taken into account in the award of new licences. They include Royal Dutch/Shell, the Anglo Dutch combine, Enterprise Oil and British Petroleum of the UK, and France's Total. Others who have "expressed interest" are British Gas, Agip and Elf from Europe, Japex, a Japanese consortium, and several American groups, among them Mobil.

The US oil companies are barred by Washington's embargo on business ties from actually signing a contract. But that does not prevent them talking to Petrovietnam. They hope that the embargo will be lifted in time for them to be awarded licences but acknowledge the decision may not come in time. Vietnamese officials, anxious to build ties with the US and benefit from the experience of the US majors, say they would like to see the Americans back in Vietnamese oil exploration. Mr Thien says: "We believe they are fully capable of contributing to our development. But at the moment they're in difficulties."

The bidding process is informal, with no set deadlines or fixed rules. So oil companies have little firm idea of how the contest will be decided. Vietnam has said that those companies which have already spent money on exploration will be treated with special favour. According to reports circulating in Hanoi and Ho Chi Minh City it is also possible that some territory will be held back so that American companies can participate at a later date. But such a plan would contradict the policy of pressing ahead with exploration to benefit as soon as possible from any oil flows.

Meanwhile, even before new fields are discovered, Vietnam is considering investing around $1bn in an oil refinery with a capacity of around 6-6.5m tonnes a year, to be built on the coast south of Ho Chi Minh City. Six foreign consortia have been short-listed from a field of 17: they are led by Sumitomo, Nissho Iwai, Tomen and C Itoh, all Japanese trading companies, plus Shell and Total. Shell and Total also have Japanese partners since Japan is one of the few possible sources of funds.

Vietnamese officials say they plan to decide on a winner by the end of the year. "They've been told that they cannot court six girls at the same time," says an executive at one of the bidders. But it is not clear when the scheme could go ahead. Japan, or any other country, would find it difficult to extend government-backed loans before Vietnam's existing arrears on debts to foreign countries and to multilateral organisations are regularised. This is unlikely before the lifting of the US embargo.

Moreover, some independent advisers have their doubts about the merits of the project.

Stefan Wagstyl

Alexander Nicoll examines the dynamic changes in agriculture

Pedal power delivers the goods

BEFORE dawn every day, bicycles laden with agricultural produce stream along the roads leading into Hanoi.

The supply of fresh vegetables by individual peasants to the capital's markets is just one sign of the dynamism which has swept through Vietnamese agriculture since the collectivist system of production began to be dismantled 10 years ago.

Vegetables used to be brought to Hanoi by co-operatives and would often rot in the streets before being distributed. Food was rationed and obtainable only with coupons.

Vietnam, previously heavily dependent on Soviet aid, has become self-sufficient in food, and a significant exporter of rice and some other crops.

But it still has considerable unfulfilled potential in agriculture. It also has substantial other natural resources which remain underutilised: forests, minerals and seafood.

Until 1981, agriculture was largely in the hands of co-operatives, which were responsible for receiving and distributing inputs (such as fertiliser and insecticide) and produce. They also assumed a broader social role, draining resources into party administration.

Vietnam's main crops (000 tonnes)

	1986	1987	1988	1989	1990
Rice	18,379	17,562	19,583	21,515	21,541
Coffee	19	21	31	41	45
Tea	30	29	30	30	31
Rubber	50	52	50	51	52
Coconut	711	791	856	922	934
Meat	33	898	897	987	1,037
Roundwood (000 cu m)	3,393	3,709	3,383	3,262	3,246

Source: General Statistical Office

A contract system was then introduced under which peasants were allocated land and a production quota, and could themselves consume or sell what they produced in excess of the quota. (This meant that the south, which was unified with the north in 1975, had only a brief and unwelcome acquaintance with collective farming.)

More radical reforms were introduced in 1988. Peasants now contract with the co-operative for land and water use over 15 to 20 years. Though they may deal with the co-operative for inputs and output – and they have to pay taxes and service charges – they are also free to buy and sell themselves. There is no production quota and no official determination of land use.

In the longer term, important questions will arise over land ownership. Households' ability to develop their plots is also limited by the woeful inability of the banking system to channel credit.

But by comparison with the past, a free market has been established in the sector which accounts for more than two-thirds of the national labour force. The results of these changes are easily visible in production and export figures, and perhaps more tellingly in rising crop yields.

Production of rice rose from 16m tonnes in 1986 to 19.1m tonnes last year, of which some 1.5m were exported. The yield per hectare has risen from 2.8 tonnes in 1986 to 3.2. Meanwhile, there is increasing emphasis on other crops, such as coffee and rubber.

Mr Nguyen Thien Luan, vice-minister of agriculture, sees this year's rice crop as roughly the same as last year's, with generally good conditions offset by floods in the Mekong delta – the main rice-growing area – and difficulties in obtaining fertiliser.

Large obstacles remain in the way of further increases in production, exports and yield.

The most immediate problem is the supply of inputs such as fertiliser and insecticide. The Soviet Union previously supplied most of these at favourable prices. However, it is now reluctant to give Vietnam credit to buy them because of Hanoi's huge rouble debt.

This has produced considerable difficulties in supply, with higher prices having to be paid, and with these essential items having to compete for scarce foreign exchange. The government is this month tightening import controls to prevent dollars being spent on non-essential goods.

Second, and most frustrating to the Vietnamese, is the lack of up-to-date processing facilities which would allow them to improve the national diet, prevent crops from going to waste, and improve the quantity and quality of exportable produce.

Quality has become a more important issue with the decline in purchases under government-to-government agreements from the former Soviet bloc, which accepted very low standards. Other markets – and now the former regular customers – are more lucrative, but more choosy.

Processing is mostly done by small-scale local units with outdated equipment. Mr Luan says new facilities are urgently needed for handling meat, vegetables, fruit, tea, rubber and rice all with the aim of boosting export earnings.

An example of the sort of facility which Vietnam wants is a soya-bean milk plant for Ho Chi Minh City, intended to feed the young and the sick and substitute for costly imported milk. Agrimex, a large state-owned processor, exporter and importer of agricultural goods, is seeking funding for the project which it estimates would cost some $400,000. Agrimex says Vietnam can process only about 10 per cent of the soya bean crop.

Finally, though there have been improvements in irrigation and steps towards more efficient transport of agricultural products, there remains a need for substantial improvements in infrastructure. As well as public investment, peasants also need credit from the financial system to help improve yields, diversity and quality.

TEXTILES

Export potential

TEXTILES is one industrial area which Vietnam should be able to develop as an export-earner.

The country already has a large textile industry, producing a wide range of goods from thread to finished garments. However, it is having to cope with huge changes: government emphasis on public sector industry being free of subsidy, coupled with the growth of private sector competitors; the collapse of exports to the Soviet Union and eastern Europe; and the consequent need to diversify export markets and upgrade quality while still using outdated machinery.

Most of the spinning machines at Phong Phu Textile Mill, a large state-owned complex on the outskirts of Ho Chi Minh City, came from western Europe in 1965. Mr Nguyen Thanh Tam, manager of the planning and import-export department, attributes the company's success to its engineers. They have not only kept the machines going, but they have adapted many of them, using parts manufactured in Vietnam, so that they produce towels instead of shirt material.

For 10 years after unification in 1975, virtually the whole of the factory's production was sold to the Soviet Union. Now, it exports 80 per cent of its output, and most of this consists of towels for Japan, with the remainder still going to the Soviet Union. It has found customers in Hong Kong, Taiwan and Europe for shirting material which is then tailored by other Vietnamese companies and exported.

The factory operates 24 hours a day, seven days a week. The company has devised new employment contracts with its 2,000 workers so that they receive bonuses for good export orders. But the basic wage, before allowances, bonuses and overtime, remains very low by international standards at 200,000 dong (about $16) per month.

Like other Vietnamese companies, Phong Phu is seeking joint ventures with foreign investors. The first was with Tootal, now part of Coats Viyella of the UK, which invested $750,000 in a unit producing polyester sewing thread. The plant is within the Phong Phu complex, and produces 200 tons a year. About 35 per cent is exported, mostly to Bangladesh, but 65 per cent is sold domestically.

Mr Khieu Thien Thuat, general manager of the joint venture, says its emphasis is on quality: persuading manufacturers to use thread that is less likely to break, and that reliable thread can be found within Vietnam. Customers are only just learning, he says, to use the telephone to put in orders, which can be swiftly delivered throughout Vietnam.

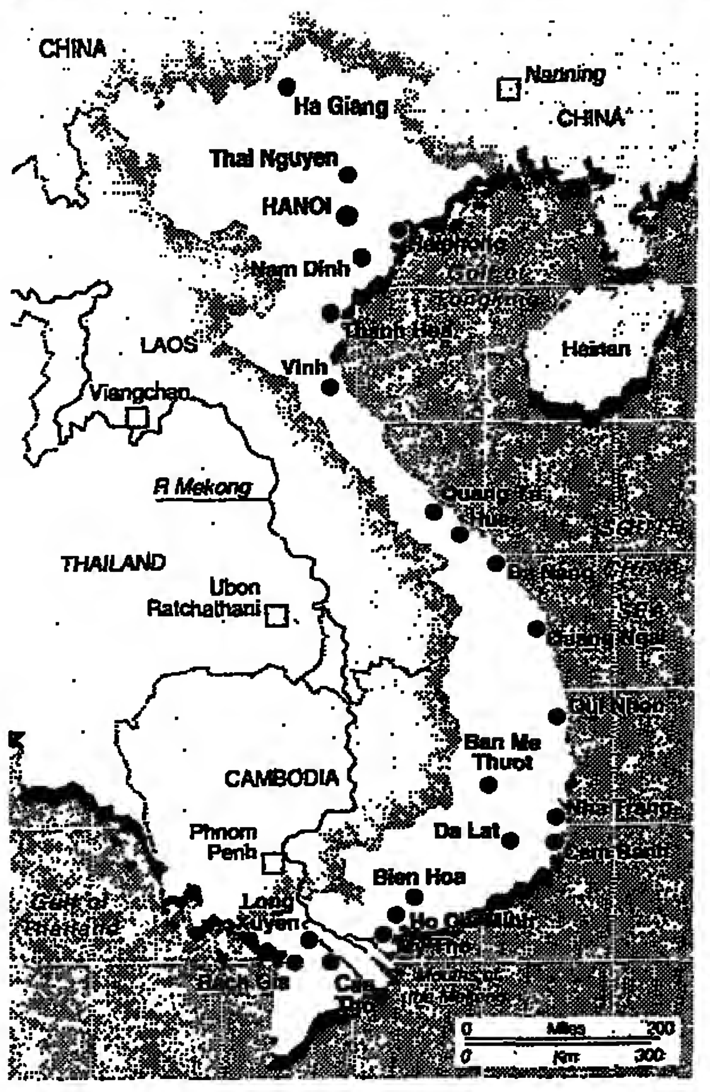
Phong Phu has also built a new tailoring workshop which is to be a joint venture with Molinex of France, producing protective garments for use, for example, by Channel Tunnel workers. It is also awaiting government clearance for a joint venture with a Taiwanese company.

A contrasting but also successful picture is provided by Minh Phung, another factory in Ho Chi Minh City which produces garments entirely from specifications provided by customers, using material provided by them.

The operation is entirely private, set up by Mr Tang Minh

Continued on next page

KEY FACTS



Area	330,363 sq km
Population	66.1m (1990 estimate)
Prime minister	Vo Van Kiet
Currency	Dong (D)
Exchange rate	1990 ave $1 = D5,200 Nov 4, 91 $1 = D12,390

ECONOMY	1989	1990
Real PNI growth (%)	5.5	2.4*
Origins of PNI (%)		
Agriculture	48.5	
Industry & construction	31.3	n.a.
Trade, transport & communications	16.3	
Other	3.9	
Labour force by sector (%)		
Agriculture	70.9	
Industry & construction	13.7	n.a.
Other (including services)	15.4	
Consumer prices (% change pa)	76.0	90.0*
Total external debt (US$bn)	14.0*	14.6*
Total trade (US$mn)*		
Current account balance	−320	−610
Exports	1,307	1,570
Imports	1,351	1,840
Trade balance	−44	−270
Convertible currency trade (US$mn)*		
Current account balance	+120	−80
Exports	976	1,170
Imports	645	1,350
Trade Balance	+331	−180
Main trading partners# (1990, % by value)	Exports	Imports
Japan	42.1	23.2
Hong Kong	11.4	14.8
Philippines	8.0	1.0
Thailand	6.7	2.0
Germany	3.0	16.0
France	2.3	10.0
EC	7.8	31.0

PNI = Produced national income. * Estimates. # IMF member countries only

Source: IMF DOT, Economist Intelligence Unit, Vietnamese government sources

Guide for hardy business people

VIETNAM is for the hardier *expatriate. The sense of new* opportunities, to be won by hard work and enterprise in difficult conditions, gives it a frontier atmosphere.

Those that have been established for several years have witnessed an extraordinary flowering of commerce and personal freedom in Vietnamese society. But even after this progress, it remains a frustrating and costly place *in which to do business.*

While expatriates do find Vietnam a rewarding place to live, it is fair to say that most do not yet know whether their labours will result in long-term, profitable business for their companies. Whether you plan to set up in Vietnam or just to visit – the path is already becoming well-trodden – the following notes may give you some idea of what to expect.

Travel

Most south-east Asian and some European airlines serve Ho Chi Minh City, the country's commercial centre. Thai International and Aeroflot are the only foreign airlines serving Hanoi, although Cathay Pacific will begin services from Hong Kong to both cities from December. Vietnam Airlines, which flies to Bangkok and internally, uses Soviet-made aircraft. Most expatriates use it regularly. Do not panic if thick vapour fills the cabin: this is normal.

A visa is needed, and the application needs to be backed by an invitation from an official Vietnam body. Immigration and customs procedures can take time. Complete both sets of forms in full and keep the copies until you leave the country, when you will be required to produce them. Keep film on your person when going through the airports either way.

Most foreigners fly within Vietnam, but it is possible to use road or rail. It takes about five days to drive the 1,000 miles from Hanoi to Ho Chi Minh City, allowing time to see Hue and Danang. As an example, the trip of just over 100 miles from Hanoi to the Chinese border near Lang Son takes over four hours one way, even if you leave early in the morning. The reasons for slow progress are bicycles, slow trucks, bad roads and bottlenecks at bridges, most of which were destroyed by US bombing. The train takes about two days *from Hanoi to Ho Chi Minh City.*

If you travel across a provincial boundary, you need documents from the Interior ministry. Your sponsoring organisation can generally arrange this.

There are virtually no taxis in Vietnam, but cars and drivers can be arranged through hotels or specialist service companies. However, take the opportunity to walk around Hanoi before its charm is swept away by development. If you want evidence of burgeoning capitalism, the streets of Hanoi, Saigon and neighbouring Cholon provide it. Beware of persistent beggars and pickpockets in *Ho Chi Minh City.*

Accommodation

The only hotel in Vietnam which approximates to the standards generally expected by upmarket business people is the Saigon Floating Hotel. However, it is expensive and its advantages such as good communications are beginning to be matched by other hotels. Apart *from countless new hotels said* to be planned for Ho Chi Minh City, there are a number of old favourites such as the Continental and the Rex. Good food is easy to find in Ho Chi Minh City.

In *Hanoi, the best hotel is* supposed to be the Thang Loi. It is out of the city centre, built by the Cubans according to a plan clearly designed for another location. It is on top of a lake and therefore humid and mosquito-ridden.. International communications from it are astonishingly expensive. However, nowadays it does provide soap and (threadbare) towels. Most regular visitors prefer to stay in one of the guesthouses run by official bodies and ministries, notably the army guesthouse.

Currency

In spite of the US embargo, the dollar is effectively the hard currency of Vietnam. Take lots *of dollars in cash, including* small denominations. Travellers' cheques and credit cards have few outlets. Airline tickets, hotel rooms and communications charges have to be paid for in dollars. If you do change any *significant* amount of money into dong, you will find yourself carrying round large and rapidly depreciating bundles of cash. Much foreign trade is by barter and countertrade. Dong may not be taken out of the country. Americans visiting Vietnam need to beware of violating the Trading with the Enemy Act which forbids dealing with Vietnam.

Setting up

The number of foreign companies with offices in Vietnam is growing rapidly. Oil companies such as Shell, BP, Enterprise and Total have been well established for some time. Seven foreign banks (Standard Chartered, five French banks and Thai Military Bank) have representative offices, and an Indonesian bank has a joint venture. *Branch licences are expected* to be awarded soon.

Establishing a presence in Vietnam is very costly. Both office and residential accommodation are expensive. The market is erratic, but a villa in *Hanoi for use as either office or* home or both might cost $10,000 to $12,000 a month in rent. Ho Chi Minh City is somewhat cheaper. A rough guide for office space is $10 per square metre per month in Ho Chi Minh City and $12 to $15 in Hanoi. On top of that, the foreign company renting a villa will need to pay for complete refurbishment – probably no work will have been done since the French left.

Foreign companies must obtain domestic and office staff through a government agency, usually the body with whom they deal regularly, such as Petrovietnam for the oil industry. They pay the agency, not the employee who will receive a only portion. A secretary costs about $300 a *month,* a driver about $250, a maid a bit less. Operational staff will cost more depending on skills and responsibilities. The system works but businessmen naturally are frustrated that it does *not allow them* to provide incentives or engender company loyalty – but at the same time they must themselves train staff, even including teaching a secretary how to answer the telephone.

Lack of management experience is a serious problem for Vietnam, but this is counterbalanced by high educational and literacy standards, knowledge of foreign languages, and even *technical knowledge in some* areas (especially that taught by the Russians).

Doing business

The Foreign Investment Law, and the creation of a one-stop foreign investment agency, the State Committee for Co-operation and Investment, have created a flexible and secure framework for foreign compa*nies. However, large gaps* remain in Vietnam's legal system.

The first thing to ensure is that you are dealing with the official entity which will actually have the responsibility to give the approvals you need in your particular field of business. This may take considerable research, but it can avoid much wasted time and frustration.

A number of specialist Vietnamese companies offer market research services to foreign companies as well as advice on copyright and other consultancy services.

*Bureaucracy is less cumber*some than it was, but most things require time, patience and courtesy.


Picture: Stefan Wagstyl

Cash count: large and depreciating bundles of notes

Communications

International links have been considerably improved by Vietnam's co-operation with OTC International of Australia. International direct dialling and faxing is available, although from *most hotels you have to go via* the desk. The exorbitant costs are falling, but hotels put on a very large mark-up. The growing number of business centres (in some Ho Chi Minh City hotels, you do not have to be a guest to use them) is making life cheaper and easier for business people.

All Hanoi telephone numbers have just had a 2 added at the beginning to make them six-fig*ure.*

Health

Malaria is on the increase in Vietnam as in many other countries – take precautions. Stomach bugs are a recurrent problem – do not drink tap water or ice. For expatriates, medical care is a worry not because of the standard of doctors but because hospitals are poorly equipped. If you have any serious problems requiring medical attention try to get to Bangkok.

Reading

There is a mushrooming supply of information in English about Vietnam, especially in regular newsletters. Most notably, the Vietnam Investment Review, intended to be published *weekly from Ho Chi Minh City, appears to have circumvented problems with the Press Law* which forbids private participation in publications.

An overview of Vietnam's economy and needs is provided by Report on the Economy of Vietnam, written by the United Nations Development Programme for the government. Only three English-language news organisations have bureaux in Hanoi: Reuters, the Far Eastern Economic Review and the Bangkok Nation. There are none in Ho Chi Minh City. The Lonely Planet guide to Vietnam, Laos and Cambodia (Lonely Planet, £9.95) is essential reading. For a straightforward account of recent history, The Vietnam Wars, by Justin Wintle (Weidenfeld and Nicolson, £20); the standard American works on the Vietnam war *are A Bright Shining Lie, by* Neil Sheehan (Picador, £7.99), and Vietnam: A History, by Stanley Karnow. Take with you Graham Greene's The Quiet American, set mainly in the Continental Hotel in Saigon.

Alexander Nicoll

Stefan Wagstyl finds unexpected joys for visitors

The lights go on again

HANOI wakes long before dawn when peasants from the *countryside bring in fruit and* vegetables, strapped in huge bundles to bicycles and motorbikes. As they ride in the half-light through the city centre, stucco-fronted villas tower above them like ghosts from a different age.

The farmers make their way through the dusty streets oblivious to the faded French colonial grandeur that surrounds them – the palace of the governor-general of Cochin China, the rococo-style municipal theatre, the columns, towers and pediments of a remote world. Here and there the government has restored a building to some of its former glory, but can do *little* about the general decay.

Three years ago, these monuments were virtually all there was to see around the streets of Hanoi. Today, the city is coming to life with the sounds of traders, shopkeepers and workmen. By around eight o'clock, the early-morning peasants have been joined by a host of others. Stallholders sell a freshly-cooked soup of chicken and rice for breakfast. An old woman pulls out an ancient bicycle pump and offers to inflate tyres for passing cyclists in exchange for a few dong.

Children sell petrol in glass bottles, enough to get a motorbike to one of the city's few filling stations; enough too, to set half a street alight if an accident should happen, as they often do.

In one district, families of metalworkers haul steel rods on the pavement. This is Loren, the blacksmiths' quarter.

All day, they hammer away, making shutters for the thousands of small houses on the outskirts of the old city. Sparks fly as a boy applies a welding torch to bare metal.

All this activity is a response to the government's new-found support for private enterprise. Hanoi, a city built by colonialists and ruled by communists, is slowly being touched by capitalism.

For the visitor it brings the most unexpected joys. Among the foods sold in the street is French bread: Hanoi must be the poorest city in the world where it is possible to eat a freshly-baked croissant.

A handful of families have opened restaurants or re-opened old ones. They are housed in back streets and *down narrow alleyways. To* reach the Piano Restaurant, you go down a crumbling passage in a terrace of old buildings. The restaurant is in a crudely white-washed room with a few western posters stuck on the walls. On a shelf stands a row of whisky and brandy bottles.

At one end of the small room, there is a piano – a young woman plays all evening accompanying another on the violin. The extraordinary menu has everything from *duck à l'orange* to freshwater eel and shark's fin soup. Dinner for two costs $12. A bottle of Bordeaux $3.

A fairly robust view of hygiene is necessary to enjoy such places. A rat scurrying across the floor is not uncommon, nor are cockroaches or toilets which are holes in the ground. But it is a marvel to drink claret, eat lobster and listen to Chopin in such surroundings.

Life is more modern in the south, particularly in Ho Chi Minh City, the old Saigon, which has only known communism since 1975 and has hardly forgotten its former habits. People are turning the lights back on – literally so in the case of many night spots. A waiter at the Pavilion Restaurant in Cholon, the Chinese quarter, says the place has been recently redecorated so it looks as it did 17 years ago. Strings of multicoloured lamps ring the stage and stretch out across the ceilings. A Chinese wedding party has taken over *most of the restaurant* – at one table the men stage beer-drinking races. At another, sit a group of bemused children, the girls in lace and frilly dresses. On stage a bikini-clad fire-eater dances with a flaming torch. She is followed by a middle-aged crooner, hair down to his collar, singing "Beautiful Saigon", an old regime favourite.

Visitors are carefully steered away from the dark side of Vietnam – the re-education camps for the communists' political opponents, the abandoned Buddhist monasteries and churches converted into warehouses. But it can be *sensed in the controls the state* imposes on foreigners – requiring visitors to hold inter*nal visas for a trip from one* province to another.

Until recently, Vietnamese were not allowed to visit foreigners' houses or to invite them to their own homes. Vietnamese, even official guides, still require permits to accompany foreigners on trips.

Another glimpse of the fears the communist state engenders is, curiously, in the Museum of American and Chinese War Crimes, a collection dedicated to a graphic (and, of course, one-sided) portrayal of the suffering inflicted during the Vietnam War. The pictures of the My Lai massacre are as harrowing as when they were first shown.

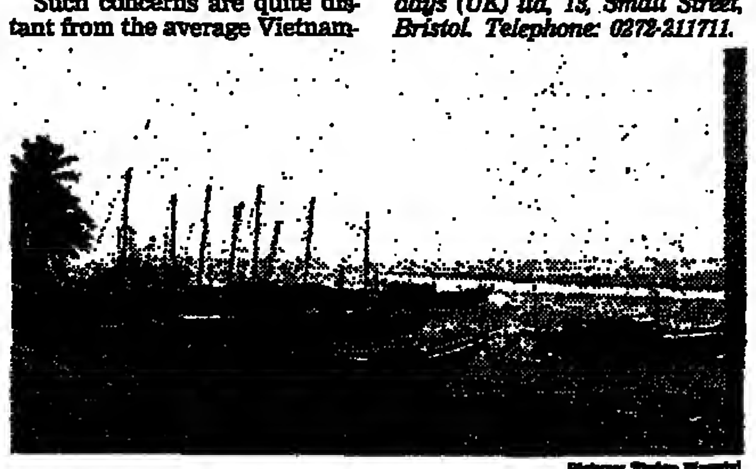
However, one corner of the museum is devoted to alleged crimes against Vietnam perpetrated since 1975 – the pathetic attempts by handfuls of former South Vietnamese officers and others to foment rebellion. The commentaries are a telling example of political paranoia.

For example: "In June 1975, Nguyen Hou Tri started to *form an anti-revolutionary* body of two people: Nguyen Muoi (a handicapped soldier of the old regime) and himself." Both got long prison sentences for threatening state security.

Such concerns are quite distant from the average Vietnamese, who lives not in the cities but in the countryside, grow*ing rice and vegetables and try*ing to raise a few chickens. The landscapes are beautiful, especially when the river valleys give way to mountains and the paddies are built like green and silver steps along the hillsides.

A journey of even 100 kilometres can involve spending many hours in a car or a train. But there is no other way of appreciating the contrasts Vietnam offers – long beaches and fishing villages on the coast, slash-and-burn agriculture in the mountains of the north near the Chinese border, the crumbling towers of the Vietnamese imperial capital of Hue and the much older ruins of My Son, centre of the civilisation of the Cham people. Dating back to the fourth century, it is Vietnam's equivalent of Angkor Wat in Cambodia and Borobodur in Indonesia.

Information services for foreign tourists are dominated by the government organisations, Vietnam Tourism and Saigon Tourist. Tourist visas are usually issued only to people who pre-book a package tour but it is possible to arrange a package tour for just one person. In the UK, one agency dealing with tours to Vietnam is Regent Holidays (UK) ltd, 13, Small Street, Bristol. Telephone: 0272-211711.


Picture: Stefan Wagstyl

While foreign business people are rushing to assess Vietnam's prospects, many Vietnamese have tried to seek their fortunes elsewhere. Villagers take to the sea in boats like those in the picture above, at a fishing hamlet near Do Son near the northern port of Haiphong for a voyage lasting up to 20 days. Britain and Vietnam have agreed on the mandatory repatriation of some 60,000 boat people now in camps in Hong Kong.

Export potential

Continued from previous page

Phung. He began producing textiles in 1988, and already has 18 workshops employing 5,000 workers, working in shifts over 16 hours, seven days a week. The factory is turning out 1m outerwear jackets a month – and not a one bears a "Made in Vietnam" label. The jackets are re-exported mostly to Europe.

The company's biggest company is Taipei textile company, which supplied Minh Phung's sewing machines, paying half the cost itself and deducting the remainder from Minh Phung's charges. It also has important customers in Hong Kong and South Korea. Minh *Phung's revenue* – which comes purely from what it charges customers for labour – is about $20m annually.

The factory's workers, almost all women, earn more than their public sector counterparts: mostly between 300,000 and 500,000 dong ($24 and $40) a month, before bonuses and allowances.

Minh Phung, too, has had to adjust to new markets, and has grown astonishingly as a result. From 1981 to 1988, it produced rubber and plastic shoes and sandals for Poland and the Soviet Union. It no longer makes any.

Alexander Nicoll

TECHNOLOGY: Software at Work

SOFTWARE AT WORK

Claire Gooding continues a series on getting the most out of software by looking at system that transforms ordering

New sound strikes a chord at HMV

A system called Eros has made dreary Mondays a thing of the past at HMV's flagship store in London's Oxford Street. There was a time when Monday meant boredom and frustration for the staff who had to spend hours telephoning various record suppliers to replenish stocks after the weekend rush.

Now Eros, using electronic data interchange (EDI), has removed the strain of Mondays, and made ordering not only routine, but mercifully error-free, and also cheaper for HMV and other Eros users.

Saturday is the trading peak of the music retailer's week. The rush to re-stock on Monday (when nearly 60 per cent of orders are placed) is critical, since so many of the products have a short life in the charts.

"We were aware of a severe backlog," explained Allen Sternstein, business systems manager. "This business creates a 'fashion', so you need the product in a three- to four-week time window. You miss the surge in sales if you miss that."

Monday meant tedium: re-dialling and queuing on jammed phone lines to the major suppliers. Retailers large and small had to wait their turn to relay their lists of orders over the phone. Due to the line congestion (every store placing several orders with different suppliers), some orders were often delayed until Tuesday, so important stock arrived late, sometimes losing sales for distributors and retailers alike.

Eros, the system HMV uses to solve these problems, is the result of an unusual collaboration between three big record suppliers – EMI, BMG and Polygram. All suffered from the hit-or-miss business of re-stocking over the phone and appreciated that the Monday rush was a bottleneck of time and resources for retailers.

Peter Siggery, now general manager of Eros, devised the system when working for Polygram. His plan was specifically for high street stores such as HMV to place their orders automatically, supported by a 24-hour, seven-day-a-week service.

Each shop using Eros is provided with a personal computer, which stores all the necessary programs and files, including an electronic catalogue of more than 40,000 items. Eros users build up their orders on the PC, validating them against the current catalogue. They can even use them to look up the catalogue, by number, title or artist. Ease of use was a prime concern, and one of the factors which convinced HMV to adopt the system so widely. "The pace in retail outlets is such that, if the systems got in the way of the business they wouldn't use it," says Siggery. "That's why Eros is all about running a record shop."

Theresa Robinson, the order room controller at HMV in Oxford Street, makes a live demonstration of Siggery's point. "An order normally takes two minutes," she explains, "whereas it used to rely on how fast you could type up the orders." Robinson regularly trains other HMV staff on Eros in 10 or 15 minutes, and runs a staff of four where there used to be nine.

A 30-line order appears on the screen (HMV tailors this to the size and weight of physical deliveries). One customer has asked for "Destiny" by the group Saxon. Eros throws up a warning. A quick search reveals every Saxon opus on EMI's catalogue – but Destiny has never been released on compact disc, so the order is amended.

Orders are sent direct to the distributors down the telephone line. For this Eros uses the INS Tradalink service for its EDI. The call typically takes around two minutes, and is connected at local rates.

The 40,000 catalogue items are subject to as many as 1,000 updates every week, loaded automatically when the shop places an order. As yet, the Eros catalogue represents only three suppliers, but it covers a significant proportion of total sales, perhaps as high as 60 per cent of the industry's trade.

Record shops need to know not only the current titles but how they are available – on seven-inch vinyl, 12-inch vinyl, cassette, single compact disc, or various remix versions, hence the value of an up-to-date catalogue. Some shops even use Eros to reply to customer inquiries and make online searches to find out what is available.

The Eros pilot scheme in 1988 involved 24 pilot shops, including HMV, Virgin, WH Smith and two independents. Eros now serves 700 shops, including more than 200 independent stores.

One factor in the quick uptake was a deal negotiated with a single company, Memorex Telex, to supply, deliver, install and maintain all the shop-based PCs. This contract allows Eros to concentrate on support services and consultancy. It also guarantees all users a fully-configured replacement within 24 hours.

HMV's own policy is to reduce what it calls "handraulic" tasks – repetitive, boring, and error-prone drudgery. Sternstein arrived at HMV in 1989, with the brief of introducing information technology into the fabric of HMV's business. He brought with him experience in computerising retail and distribution from cosmetic firm L'Oreal.

For HMV, adopting Eros is the first step in a larger plan which will bring automation on a grand country-wide scale. "Eros is the arrowhead in bringing technology to the rest of the store," said Sternstein. "The whole company must have experience of the roll-out, the development, and the training. Part of my mission is to integrate the different projects. The end result is to incorporate information technology into operations in such a way that the business benefits."

HMV is developing its own electronic point of sale (Epos) and merchandising project called Track, which will deal with the 250,000 or so catalogue items carried by HMV. Many of them, such as T-shirts and other promotional items, are unique to the company, whereas others are already represented on Eros.

"The range of our product is enormous," says Sternstein. "An electronic version of the catalogue is fundamental to successful merchandising in the music retail business." The first Epos project goes live on November 28 at the Manchester store, and will then be extended to other stores. In theory, all Epos-stores will have full access to the entire catalogue of 250,000 items, whether they stock them or not.

George Tomlin, central systems manager at the Oxford Street store, describes HMV as "needs-driven, not technology driven", and stresses that the buying-in of third-party services and expertise has eased the route to a grander IT scheme. "Whatever we did, we knew it must be possible to incorporate it in later developments. Apart from the business benefits of Eros, another big attraction was that the vehicle – a PC – would leave capacity to introduce other applications."

Another HMV project, the Oasis ordering and stock information system, will link with Eros by sending the orders automatically. It will use remote data entry for every transaction which affects HMV stock, feeding back information to HMV's Digital Equipment Vax machine in its central finance department in Oxford Circus.

Oasis sits side by side with Eros on the store-based PCs. "Eros got our users accustomed to using keyboards, and the operations department was already committed to Eros when we introduced Oasis a year later, because they'd already seen the benefits of Eros," comments Tomlin.

Eros has brought benefits to HMV, not just in saving time and costs and the speed of orders but in preparing its staff for systems that send data down the line automatically. The Epos project has built on Eros's previous success. "Everyone we've trained so far wishes they'd had it six months earlier," comments Sternstein.

The series will continue on the technology Page in January. The Quarterly Review of Software at Work will appear on December 6.

Theresa Robinson and Allen Sternstein review the latest hits

■ BUZZWORDS

ELECTRONIC DATA INTERCHANGE (EDI) is the exchange information between companies by computer, whether by disks or by online services.

ELECTRONIC POINT OF SALE (Epos) updates stock and inventory information from the till. Epos schemes often make use of remote data entry to centralise information for such purposes as marketing feedback.

CONSULTANT'S CRITIQUE

THE EROS system is one of those rare systems that delivers what it promises. It meets a business need and allows HMV staff to be productive workers rather than glorified robots.

The manual ordering system was a horrific problem crying out for a technical solution. It created difficulties for everybody in the buying chain from record supplier to retailer to the eventual customer in the shop. It is encouraging that hard-nosed competitors could get together to solve a mutual difficulty. As a result, all parties have benefited.

Many possible solutions exist but the Eros approach is one of the best. The EDI method is certainly the system for the future.

It seems logical that one computer should talk to another directly without many human beings having to translate information for them. In practice, nearly all UK businesses produce documents from their computers, post them to their customers who then type them into their own computers. It is slow, expensive and error-prone. If implemented well, EDI promises to free staff from the drudgery of shuffling paper from one computer system to another.

Several pitfalls have been avoided in bringing the Eros system into widespread use. Many systems end up costing far more when each customer or group has its own PC buying policy. All too often, the compatibility between PCs is not exact and effort is tied up unnecessarily. In the Eros case, this was solved by having all PCs supplied with hardware and software from a single source.

One of the big reasons for the success of the system in HMV is the commitment to staff training. Retail outlets are notorious for high staff turnover. Nevertheless, HMV has taken the sensible approach of investing heavily in training. Conventional wisdom often implies that it is not worth training transient employees. The result is that the people are usually less motivated and tend to leave even sooner. HMV's investment in its staff means that it gets the best out of them and consequently out of its computer systems.

The future development will need to include a wider range of suppliers and outlets. This system is well placed to become a standard and gain high acceptance within the industry.

As yet, few EDI standards truly exist although many have been put forward. In the computer industry the largest user base usually dictates the standard. If Eros can address the needs of the smaller companies as well as its bigger participants then it could well establish itself.

Kevin Grumball

The author is a consultant with Software Design and Construction, of Milton Keynes

HMV

COMPANY SNAPSHOT

Music and video retailer HMV UK opened its first record store in Regent Street in 1921, under the aegis of record company EMI. The store moved to Oxford Street in 1927 and is still going strong - as is HMV's dog and trumpet trademark.

When Thorn and EMI merged in 1980, the HMV group of retail stores became an autonomous company within Thorn EMI. It is part of the HMV Group, with chains in US, Canada, Australia, Japan, Ireland and Denmark.

Nature of business: Music and video retailer. Currently there are 81 HMV stores throughout the UK, with another four planned to open before Christmas. HMV estimates its own UK market share at 15 per cent, lying behind Our Price and about level with Woolworth, and ahead of WH Smith and Virgin (the latter owns 50 per cent of Virgin Retail and all of Our Price).

Turnover: HMV's UK turnover is included in the Thorn-EMI results and is not revealed separately.

Employees: 1,200 including temporary Saturday staff.

TECHNOLOGY FILE

Software: The Eros system deals with the re-ordering of stock from three major suppliers: EMI; BMG, and Polygram, who jointly own the supplier of the system, Eros Music Systems. PCs and telecommunications equipment are supplied by Memorex Telex.

Suppliers: Eros Music Systems, Romford (Tel 0708 731212).

Installation date: Eros went live at HMV in May 1989 after a pilot study of nearly a year involving five HMV stores.

Cost: £1,300 per PC including software and installation. HMV spent £40,000 on Eros implementation and training.

Maintenance: £250 per annum (£100 for Eros and £150 for PC maintenance from Memorex Telex.)

Other systems: HMV is developing at least two systems of its own, to be integrated with Eros and rolled out to all its stores: Oasis, for controlling ordering and stock links with a central Digital Equipment Vax; and Track, a store-based merchandising and Epos system, soon to go live in Manchester. It is based on an IBM AS400 machine.

MANAGEMENT: Marketing and Advertising

Food contamination

Taking the drama out of a crisis

Guy de Jonquières investigates the steps that manufacturers can take to handle an emergency

The contamination scare which yesterday prompted the withdrawal of millions of bottles of Lucozade from shops throughout Britain is a nightmare of a kind which has come to haunt a growing number of consumer products companies in the past decade.

Last year Perrier was forced to recall every bottle of its most popular sparkling water worldwide after some were found to contain traces of benzene.

A few years earlier, Tylenol, a headache pill made by Johnson & Johnson of the US, was temporarily withdrawn after an extortionist laced some containers with cyanide, killing eight people.

In Britain, Mars was the victim in 1984 of a threat by a self-proclaimed animal rights activist to poison its confectionery. Even though the threat turned out to be a hoax, Mars sales plunged temporarily.

The costs of dealing with such incidents can be huge. Industry experts estimate that recalling suspect products from shops costs nine times as much as delivering them in the first place.

But that is nothing compared with the costs of lost production and of re-building public confidence in products, once they have been declared safe.

Johnson & Johnson is estimated to have spent more than $100m to recover from the Tylenol crisis, and Perrier twice as much.

Successful product liability lawsuits can push the bill higher still and even, as in the case of asbestos producer Johns-Manville, force companies out of business altogether.

Heightened awareness of the risks has begun to prompt some companies to take precautions. UK food manufacturers and retailers recently joined forces to draw up a set of guidelines providing for co-ordinated action in the event contamination scares.

Yet relatively few companies appear prepared for the worst. A recent survey of Britain's 1,000 largest companies by Sedgewick, a London insurance broker, found that though three quarters claimed to have contingency plans to deal with sudden crises, most covered only the immediate outbreak of an emergency.

Almost none of the companies had any strategy for dealing with longer term problems such as product re-launches, litigation or investor relations, according to John Woodcock of Sedgewick. "Most companies only find out about the cost of a crisis once it's over," he says.

How should companies prepare themselves? Martin Langford, managing director of Burson-Marsteller, a public relations firm which advises on crisis management, says the first precaution is to designate an internal crisis committee.

The committee should span the range of corporate functions and report to a senior manager. Its members should know how to liaise effectively with police, regulatory authorities, customers, shareholders and the media.

Once a crisis breaks, it is essential for companies to be open and candid, while exercising firm central control over information flows, both inward and outward.

In the first few days of the Perrier crisis, different executives made a series of often inconsistent public statements about it. The lack of co-ordination not only confused the public about the true seriousness of the problem but gave the impression that nobody at the company was in charge.

Above all companies should avoid being panicked by adverse media coverage into seeing the problem simply in terms of dealing with press and television. The real challenge is not to impress the media, but to reassure consumers, whose reactions can often be gauged accurately only by market research.

A clear understanding of consumer psychology is particularly important when the time comes to re-launch a product. "It is not enough just to put advertisements in the newspapers saying a product is safe," says Langford.

Johnson & Johnson re-launched Tylenol in the US with a series of nationwide video conference transmissions in which the company's chairman showed media audiences a re-designed container aimed at reducing the risk of tampering. Tylenol rapidly regained its lost market share.

Perrier's recovery has been more patchy, in part, perhaps, because the company took a long time to explain what had gone wrong and only belatedly seemed to admit any contrition in its media campaigns.

Prevention is, of course, always preferable to cure. Many food and drinks manufacturers are investigating ways of making their products safe from contamination, particularly by developing "tamper-evident" packagings, which make it easy to see when they have been opened.

Nonetheless, such solutions, however ingenious, offer only limited protection because they rely on consumers noticing whether products have been interfered with. Research suggests that in practice, few do.

"There is no such thing as tamper-proof packaging – if there was, you could never open it," says Ray Gibson, business development director at Reading Scientific Services (RSS), which operates a contamination testing laboratory used by about 400 European manufacturers.

However, the biggest risk of contamination arises well before products ever reach the shops. Surveys have found that as many as three quarters of reported incidents occur inside factories – and the evidence suggests that only a few are the result of malicious intent to harm.

Gibson, whose laboratory has tested 450 contamination cases since it opened in 1987, says many resulted from teething problems which followed changes in manufacturing processes.

Even more common, by all accounts, are problems caused by disgruntled employees. "Often, the motive is sheer boredom," says Shane Russell, a law lecturer at Nottingham Polytechnic who advises companies on crisis management.

"Many cases I have dealt with are simply stupid pranks. Production line jobs are so boring that it becomes quite tempting to drop an insect into a soft drinks bottle or a bar of chocolate."

She says that some companies she advises are reluctant to tackle the problem explicitly, in case they put ideas into factory workers' heads.

Her advice is that it is always preferable to explain to staff directly that messing up production jeopardises the company's business and their own jobs.

Better training, motivation and quality control may reduce the number of contamination cases which occur inside a manufacturer's premises.

Safeguarding consumers and producers against threats to products after they enter the retail network will always be a much bigger challenge.

Bottles of Lucozade being removed from the shelf at a London store yesterday: and examples of foods which have been subject to contamination scares in recent years

On the campaign trail

Raymond Snoddy reports that newspapers are battling with TV

Sir Frank Rogers is nothing if not a patient man. For more than 20 years he has been trying to persuade the national newspaper industry to market itself collectively to hold at bay the great rival – television.

While director general of the Newspaper Publishers Association in 1972, Sir Frank thought he'd done it. The organisation agreed to set up a marketing bureau for national newspapers and a suitable candidate from the advertising industry was chosen and approached. Then the national newspaper proprietors of the day refused to pay his salary.

" The whole thing collapsed and it's been talked about ever since," says Sir Frank, deputy chairman of the Daily Telegraph group.

In the last few weeks Sir Frank, now chairman of the NPA, has finally got his way. The biggest advertising campaign now running in Britain's national newspapers is extolling the virtue of newspapers as an advertising medium and, at the same, time taking a deliberate swing at the cost-effectiveness of television.

Between now and Christmas, the national newspaper industry will spend £7m on a campaign which will place more than 140 full page advertisements in the nationals with a far from subtle message.

The aim is to counter the falling proportion of advertising revenues taken by national newspapers – 19.5 per cent in 1970, 16.4 per cent in 1980 and 15.1 per cent last year. "Some people are being conned by TV commercials. The people who pay for the them," runs the copy line of one of the ads.

According to an academic researcher, Peter Collett, 20 per cent of commercials play to an empty room, another 10 per cent are missed as viewers flick through the channels and half the rest are missed while the audience get on with ironing, practising their golf swings or canoodling on the sofa. The campaign was designed by Sir Tim Bell, Margaret Thatcher's legendary communicator, to make the fur fly and above all else get newspaper advertising talked about by media directors who tend to turn automatically towards the telly.

The campaign has raised a few eyebrows in the television world but has so far provoked only a withering response.

"I am disappointed that they've taken to knocking copy. We don't plan to make a counter," says Malcom Wall, chairman of the ITV marketing committee.

Craig Pearman, managing director of Media and Airtime Sales, which sells for Yorkshire and Tyne Tees, finds the approach naive. "Television is still the only medium that can take a completely unknown product on Monday and make it famous by Friday night," Pearman said.

The NPA was persuaded to go ahead with the campaign by a report produced by Joe Cooke, managing director of the Daily Telegraph. Cooke argued that the advertising market was rapidly reaching maturity and was unlikely to grow faster than the economy as a whole. The battle with television for market share would intensify.

If the present campaign is a success a permanent marketing bureau will be set up. However, so far the campaign has not persuaded national newspapers to give up advertising on television. Malcolm Wall says he is booking for newspaper advertising campaigns running well into 1992.

BUSINESS LAW

The risks that directors run

By Max Thorneycroft and Ian Lupson

MANY COLUMN inches have recently been devoted to the alleged excesses of certain members of the boards of some of the UK's better known companies. The comments have focused on the relationship between the board members' remuneration and the financial position of their businesses.

Questions have even been asked in Parliament; indeed the social desirability of certain income levels has provoked a rare example of cross-party accord. At the same time, there have also been an increasing number of global comparisons seeking to place the salaries and perks of British company directors in an international context.

But what about the other side of the coin? High reward has traditionally been seen as fair return for taking on a certain amount of risk. Historically this "risk" has related to whether the company would prosper or fail: the shareholder risking his or her capital, and the board their jobs.

More recently, many companies in Europe have observed with concern the rising trend in the US of directors and officers of companies, as distinct from the companies themselves, facing litigation. Many in the UK have wondered and worried how long it would be before a similar trend took hold in Britain.

By and large this seems some way off. Earlier this year a survey was carried out among lawyers and directors in the UK aimed at establishing current trends in directors' and officers' personal liability, and the insurance market which has grown up to provide them (and their companies) with the opportunity to transfer some of this risk.

Two-thirds of those surveyed felt that in the preceding 12 months there had been an increase in the incidence of claims against directors (and then, in turn, by directors against their insurers). More than 80 per cent of respondents also felt that such claims had received greater publicity than in the past.

Closer questioning suggested, however, that, at least in relation to greater publicity, those questioned had been influenced by media coverage of affairs such as Guinness, Blue Arrow and Zeebrugge.

Yet undoubtedly the potential risks of litigation are growing. The increasing regulatory framework is partly to blame. Statutes such as the Environmental Protection Act 1990 (EPA) which makes directors responsible for their companies' breaches of anti-pollution measures, have raised the potential for personal litigation against directors where none previously existed.

Under the EPA, for example, personal liability may even – it seems – extend further down the corporate ladder than might be expected to "anyone purporting to act" as a manager, secretary or other officer of a company. It will be interesting to see whether this will be interpreted by the courts to include shadow directors.

These are risks of a criminal nature, but the risks of civil sanction also continue to grow. From a director's standpoint an important distinction between civil and criminal sanction is that insurance cover is not available for the latter.

Insurance cover may also not be available, however, for civil claims against directors and officers arising from the EPA. While most directors' and officers' policies start out to indemnify in relation to such civil liabilities incurred by the assured, they invariably contain an exclusion which will take pollution out of the definition of an insured risk.

Directors would be prudent to ensure that they personally are adequately protected against this type of potential exposure under one or other of their company's other insurance policies.

The recession is also acting as a spur to litigation in this field giving an indication of how potential risks of personal litigation against directors may crystallise.

For instance, former directors of failed companies have for some time faced the risk of been accused by liquidators of, in effect, aiding their company's ultimate collapse by failing to call it a day in time.

There have been few reported cases of "wrongful trading". But the few instances that have occurred tend to show two factors:

- liquidators are willing to enforce their rights at law;
- and that the courts will look a long way back into a company's history to assess when its stewards should have realised it was time to shut up shop. The meter starts running, if wrongful trading is established, when that realisation should have dawned.

Even insolvency practitioners can find themselves enmeshed in the ever-widening web of personal liabilities when their appointment as administrator or receiver brings them within the various definitions of those who may face personal sanction for the company's wrongdoings. (Though this will hardly be of any comfort to the former board of a defunct company.)

Rather than being a matter for insurance, however, this is more likely to be something addressed – if at all – by way of indemnity granted by the appointing creditor.

Recent cases which have shown how directors can incur personal civil liability include *Caparo Industries PLC v Dickman* and *Morgan Crucible Co v Hill Samuel Bank Ltd* in which directors involved in takeover battles have been sued over statements made by them during the course of the bids.

Company failures are presently a common occurence, yet it is doubtful whether it is this risk of failure which has spurred recent interest in this type of liability insurance.

Legislative changes brought about by the 1989 Companies Act, which removed any lingering doubts about the lawfulness of directors' and officers' liability insurance, must surely have had an effect.

However, as one problem is solved another is highlighted, and presently there is much debate as to whether a director should be taxed on any part of his or her directors and officers premium paid by the company or – much more worrying – taxed on the benefit derived under that policy (in other words, whether tax should be paid on money paid out under the insurance).

Concern has also been expressed in certain quarters that some directors' and officers' policies do not give protection when it is most needed – after a company has gone into liquidation and the directors have come into the firing line – because it is at that point that the company may stop paying the premium and the cover is allowed to lapse.

Despite – or perhaps because of – such questions, a little less than 75 per cent of those surveyed earlier in the year said that demand for directors' and officers' insurance had increased over the preceding 12 months.

There are those who feel that where insurance leads, litigation will follow. If it does, one wonders whether the remuneration at board level may come to be viewed in a different light.

The authors are partners in City solicitors, Gouldens.

CONTRACTS

Florida highway development

BALFOUR BEATTY has been given its largest ever civil engineering contract in the United States with the award of an US$81.8m (£47m) road widening project near Fort Lauderdale in Florida.

The 27 month contract, awarded by the Florida Department of Transportation, is for the widening of a 1.5 mile stretch of the Interstate 95 highway to four lanes in each direction and the construction of two new interchanges.

The work will involve building nine bridges, three over railway lines; the widening of five bridges, three over water; and the construction of substantial retaining walls and ramps.

Adding to the complexities of the project is the constricted nature of the site which lies in close proximity to heavily used roads and railway lines.

The work will be administered from Balfour Beatty Construction Inc's office in Wilmington, Delaware.

This is the second major civil engineering project to have been won by Balfour Beatty in the US.

In September 1991 the company was awarded the US$62m Grassy Sound Bridge contract in New Jersey.

Overseas tunnelling equipment orders

MARKHAM, a member of the engineering division of Trafalgar House, has won export orders worth £6.8m for tunnelling machines.

Following Markham's joint venture with The Robbins Company on two tunnel boring machines (TBMs) for the Channel Tunnel project, the two companies are working together again on a water project in Lesotho. The Lesotho Highlands water project is belived to be one of the largest hydroelectric water supply projects in the world.

Markham is manufacturing two gripper type hard rock TBMs, each 5.03 metres in diameter, scheduled for delivery in February 1992.

In May 1992, Markham will deliver a 5.38 metre diameter earth pressure balance machine for a sewer tunnel in Bordeaux. For Metrosud, Markham has an order for an even larger TBM - 6.55 metres in diameter - for the Naples Metro.

In France, a Markham Super-Mini micro tunnelling machine, 500 mm bore, has just completed its second drive under the TGV rail line.

Repair work at Kuwaiti power station

BRISTOL BABCOCK, part of the FKI Group, has been awarded a £6m turnkey contract by the Kuwait Ministry of Electricity and Water for miscellaneous repair works at Doha East Power Station.

The Doha East contract is for the supply, installation and commissioning of replacement control panels including Bristol Babcock's Network 3000 Data Acquisition System (DAS), together with a series of work packages which include mechanical, electrical civil works, plus chemical monitoring, fire control and a heating/ventilating and air conditioning system.

The equipment is to be supplied on a phased delivery schedule from January to June 1992 with commissioning work by Bristol Babcock personnel beginning in March for August completion.

Production is already under way at the company's Kidderminster plant.

Hong Kong electricity supply scheme

BICC has signed a two-year supply contract with The Hongkong Electric Co for medium and low voltage power cable.

The product, which the company is to supply, will include a new concept of XLPE insulated cable specially designed and jointly developed by BICC Cable, Wrexham and The Hongkong Electric Co specifically for use in the Hong Kong environment.

The contract value is approximately HK$115m (£9m).

BICC has now supplied 1,000km of low voltage and 500km of medium voltage cable for use in Hong Kong in recent years.

Delivering military testing system

LTX CORPORATION, of Westwood, Massachusetts, has won an order from Allied-Signal Aerosopace Company, the aerospace equipment manufacturer, for a 128 pin Deltamaster digital test system, valued at over US$1m (£565,000).

The Deltamaster test system will be used at the microelectronics centre in Columbia to design and manufacture custom digital ASIC's and microprocessors for militiary/aerospace applications.

Can making equipment

Metal Box South Africa has placed an order worth £2m with CMB ENGINEERING GROUP for can making equipment.

The equipment to be supplied by CMB Engineering - which includes bodymakers, a spin-necker and internal and outside bake ovens - will be installed at a new can making plant at Springs, near Johannesburg. Delivery is scheduled for Spring 1992.

The plant will produce two-piece, steel beverage cans to meet the increasing demand for canned drinks in South Africa and Botswana.

Modem network

RACAL-DATACOM has won a £1m order for a managed modem network -incorporating its latest CMS 400 network management system - from Posten, the Swedish Post Office. The network is being supplied through Racal-Datacom's Swedish distributor, Lagercrantz Communication AB.

Engine parts

TORDAY & CARLISLE has received orders from Wartsila, Sulzer, and Grandi Motori Trieste. Work involves the manufacture of new parts on behalf of the engine builders.It is estimated that in the year to December 31 1992, the contracts will have a total sales value of around £900,000.

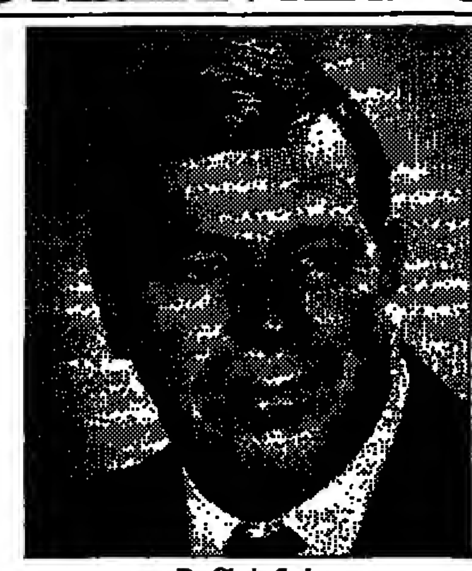
Modernisation

KPMG MANAGEMENT CONSULTING has won a US£1.2m (£678,000) contract to modernise the operations of the *National Savings & Commercial Bank of Hungary* (OTP Bank). The project is being financed by a loan from the World Bank and will address the following areas: organisation, strategy, MIS, treasury, marketing, personnel, operations and budgeting.

FUTURE BUSINESS STRATEGIES IN SOUTHERN AFRICA

Money for Africa — with South African management and co-operation

Dr Chris Stals, Governor of the South African Reserve Bank, talks to John Spira, Finance Editor of Johannesburg's Sunday Star.


Dr Chris Stals

Spira: How would you describe South Africa's attractions (or lack thereof) to foreign investors and providers of long term capital?

Stals: I suggest they take a medium to long term view of the country.

I believe that our political problems will be solved in the next few years. Whatever shape the new government will take, I am confident it will pursue sound economic policies. And I say this in spite of the need to continue to spend large sums of money on social upliftment.

Naturally, the huge demands on the fiscus for education, housing and medical services will put a brake on economic growth. I am nevertheless confident that South Africa has a great potential for economic development — a potential that hasn't been tapped in the last few years.

Thus, in terms of productive capacity, as demand expands and as barriers to exports are lifted, we could very easily run into a shortage of such capacity in the next few years.

Against the present political background, it would take a brave entrepreneur to invest in additional production capacity now. But if my positive scenario proves to be correct, the investor taking the plunge early would have a significant advantage.

The prospective investor should also look at South Africa's potential to produce not only for domestic demand but for Africa as a whole and for exports to the rest of the world.

In the past three years there's been no increase in investment in productive capacity in South Africa. At the same time, we've seen a major rundown in inventories. On this basis, we shouldn't have a problem on the demand side. Indeed, I don't see demand as being a problem over the next ten years. Rather, the problem will be to produce sufficient goods and services to satisfy demand.

Accordingly, I suggest that in the light of the scenario I have sketched, there could be enormous economic growth in South Africa over the next five years or so.

Bear in mind, too, that South Africa's balance sheet is extremely healthy. We have a relatively small amount of foreign debt; we are encountering no difficulty in servicing that debt; we are running a current account surplus of more than R5 billion a year (and have been for the past five years); and our capital outflows have declined. We shouldn't, therefore, experience any serious balance of payments problems.

Then there's the probability that we shall eventually establish normal relationships with the IMF and have access to its facilities.

Spira: Is there a worst case scenario?

Stals: In theory, political negotiations could break down, labour unrest could flare up, or a future government could pursue a socialist-leaning policy.

Yet I look at the determination of the politicians involved in the negotiating process to succeed, and I am convinced we shall land up a lot closer to the best case scenario than to the worst case variety.

True, progress for the present might seem to be slow. But in the next six months I believe we'll see signs of more visible progress.

From the standpoint of the monetary authorities, there will be no compromise on our current strategy aimed at achieving long term financial stability for the country.

Many foreigners are tentatively subscribing to the optimistic scenario, as evidenced by the flow of short term capital into the country. The difficulty is to convince them to take a long term view. The recent success of South Africa's Dm loan issue indicates that certain investors are already beginning to take a longer term view.

Spira: Surely South Africa's high inflation rate acts as a deterrent to foreign investment.

Stals: For the past two-and-a-half years we've been following a restrictionist monetary policy aimed at bringing down inflation — a policy which will continue into the foreseeable future. Of course, monetary policy alone will not achieve this objective; but it's the obvious starting point.

In South Africa's current zero-growth climate, we are still allowing the money supply to expand by 12 percent, when it should be expanding at only around 3 to 4 percent. The answer is that we gradually brought it down from 27 percent to 12 percent — at least below the 15 percent inflation rate. This means that it is pulling down inflation.

Had we gone for a quick kill on inflation, we would have brought the increase in the money supply down to zero — in which event the policy would have created so much opposition that it would not have been possible to continue in that direction. So we have had to do it gradually, in the process trying to explain that there are lags involved and that it will therefore take some time for inflation to fall meaningfully.

Over the past two years, fiscal policy has been supportive of monetary policy, with government financing having been kept under control.

The most difficult obstacle in the way of combatting inflation has been the tendency for wages and salaries to outstrip productivity. It is difficult to achieve the desired results of a tough monetary policy if trade unions do not moderate their demands.

Yet if the political process continues to make progress and more political parties become increasingly involved in the country's administration, perhaps it will be possible to achieve trade union restraint.

Encouragingly, we have witnessed some progress. In 1989, aggregate salaries and wages increased by 18,5 percent, in 1990 they rose by 16,5 percent and in the first six months of 1991 the rate of increase had fallen to 15 percent. Productivity, however, remains a problem.

Spira: Has thought been given to placing a cap on wage increases?

Stals: That's a sensitive political issue. It would be seen as discriminating against South Africa's black people. So it must come voluntarily, mainly from the trade unions.

The only solution is try to get the message across that in the interests of long term economic growth, long term employment and long term standards of living, you cannot have wage increases in excess of increases in productivity.

Spira: Are you confident that inflation can be brought down to single digits?

Stals: What we really need is some kind of accord between government, the trade unions, the central bank and the business community. Such an accord, combined with a persistent restrictive monetary policy, should yield highly positive results.

We'll get inflation down meaningfully, though I don't see it happening in the short term. Rather, I envisage it coming about as a gradual process which has already begun.

Thus, the producer price index is rising at a rate of between 10 and 12 percent and has been below the rate of increase in the consumer price index for the past eight months — an indication that the latter should soon start to tail off.

Eventually — perhaps three to four years from now — I believe South Africa's inflation rate could be brought down to a level which more or less equates with that of its major trading partners.

Why, after all, should there be a high rate of inflation in a country like South Africa? It's a country with a plentiful supply of labour, great potential to export and raw materials with which to produce many of the things we need.

If we have a stable political environment, it shouldn't be too difficult to bring inflation down.

Spira: At that stage, presumably, the rand would become a strong currency.

Stals: Yes. We'll soon start working on the phasing out of foreign exchange controls on non-residents. Getting rid of the financial rand is one of our top priorities. I believe we could start phasing out the financial rand within the next 12 months or so. Thereafter, we would bring the two currency rates together and if there are no disruptions, we would abolish the system completely.

Spira: Can the economy grow in the face of a restrictive monetary policy?

Stals: Yes. It isn't generally recognised that our interest rates aren't high. In relation to a rate of inflation of 15 percent, the 17 percent Bank rate is only two percentage points higher than inflation. Other countries have higher real interests rates.

South Africa can achieve economic growth despite monetary policy. We are currently seeing signs that the economy is bottoming out, with stimulation coming from:

- *The strong balance of payments position.*
- Increases in total public sector expenditure (mainly on social upliftment programmes).
- The recent introduction of capital investment incentive schemes.
- An unusually low level of inventories.

I hasten to add that, at least in its initial stages, the recovery will be mild — of the order of a 2 percent growth rate next year, which, unfortunately, is way below the 5 percent or so that South Africa needs.

An additional stimulus is required to achieve the desired rate of growth. One of the sources from which it might come is an inflow of foreign capital. We're already seeing some stimulation from the inflow of short term capital. But the stimulation we really need would have to come from long term foreign capital.

If there is to be a quick start to the economic revival it must come through the balance of payments. It would be dangerous to get the quick start from the domestic economy, since it would spill over into imports and unless we have the necessary foreign reserves, we'd be forced to stop the upswing before it had gained enough momentum.

The quick start could also come from increases in exports and/or an improvement in global commodity prices.

Spira: Will South Africa soon gain access to IMF loans?

Stals: This isn't a problem between South Africa and the IMF but between South Africa and the US Administration. It's purely a political issue, which hinges largely on the political progress made in South Africa over the next few months, reinforced by improved economic conditions.

For the present, South Africa would not qualify for assistance from the IMF because of the strength of its balance of payments current account.

But the green light for access to IMF funding could have an important influence on the policies we followed. More importantly, it would have a very important psychological impact on prospective investors and lenders to South Africa.

Today South Africa's first line of defence is its foreign reserves. They've improved in recent years but are still low. The second line of defence would normally be the IMF. But South Africa doesn't have that facility. The third line of defence would be a debt standstill.

Accordingly, foreign private investors' attitude to South Africa would be heavily influenced by its potential to borrow from the IMF.

Spira: Relations between South Africa and the rest of Africa have improved. Have there been any new financial developments on this front?

Stals: Contact is much easier and we have regular visits from private and central bankers from other African countries. They're excited about what could happen in the future. But finance is scarce, making it difficult for us to help African countries with money.

Yet there are other ways we can help. For example, an African central banker recently told me that his country could access money for certain projects from several international organisations. However, he added the rider that these organisations wouldn't advance the money because the country in question was unable to manage it. South Africa's assistance in managing the projects would result in the money being forthcoming.

The potential for this sort of co-operation with other African countries should not be underestimated. The skills we could offer include engineers, architects, designers, accountants, legal advisers and the like. This is already happening but it could — and should — develop a lot more in the years ahead.

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ARTS

Simon Boccanegra

COVENT GARDEN

The Royal Opera makes a notable return from the artistic Slough of Despond into which the house had been plunged by the recent industrial troubles, and then by the musically and scenically inadequate staging of *Les Huguenots* that followed hard on those troubles. The herald of better times is the new *Simon Boccanegra* (sponsored by De Beers and Minorco) unveiled at a Gala on Tuesday – in the presence of Princess Diana, and in aid of Help the Aged and the Royal Opera House Trust.

The opera itself, which in spite of familiar unevennesses all Verdians place in their most elevated operatic pantheon, is a plea – sounded with almost religious fervour at the peak of the great Council Chamber scene – for peace and reconciliation between disputatious factions. (In many ways it is the most appropriate possible work for a dark November night when the Adriatic is aflame with the horrors of civil war.)

It is not easy to get in balance. The new production by Elijah Moshinsky, conducted by Georg Solti, is the house's third in the postwar period (albeit the fourth to have been given here – no-one who saw and heard them will forget the magnificent performances by the visiting Scala company in 1974); La Scala apart, and notwithstanding strong memories of such past Covent Garden Verdians as Tito Gobbi, Boris Christoff, Renato Bruson, and the very young Kiri Te Kanawa, it is the house's first largely successful *Boccanegra*.

The real achievement of a fine, serious collaboration between all participants is to have found a Verdi style, dramatic no less than musical, that answers the demands of Grand Opera form, the marine atmosphere with which the music is suffused, and the deep pessimism about human nature lying at its core. Verdi, as in letters he more than once remarked, deplored stagings "that absorb everything and become the principal object". He would surely have welcomed the particular power – sober, concentrated, unified – of Tuesday's performance.

Since this is the fallow period of Verdi singing, and casting of the middle- and late-period operas a well-known nightmare, it is worth insisting on the apt qualities of the current Royal Opera team. *Boccanegra*, written in 1857, revised in 1881, is both "middle" and "late", and thus doubly nightmarish; but Covent Garden have solved the difficulties with admirable percipience. This, it seems, is a seldom-experienced example of genuinely serious International Opera: principal singers (from Romania, New Zealand, Italy and the US) chosen both for their ability to compass the musical lines authoritatively and for the harmonious rightness of their artistic personality. Already, and in spite of passing hints that the rehearsal period had been harmed by the house dispute, this has the air of a real *Boccanegra* ensemble.

Alexandru Agache, the Romanian baritone who came to notice here in a 1988 *Ballo in maschera*, holds the promise of an ideal titular figure. The voice, supple, strong, and beautifully steady, marries Slavic melancholy and Italianate forward projection. Boccanegra is one of the most "inward" figures in Italian opera; Agache's tone-qualities capture the brooding melancholy, and rise to the heroic outbursts. He must be encouraged to pursue even further a Gobbi-like grandeur of verbal declamation; he should beware of wavering intonation at the lower dynamics. His baritone and the rich-grained Italian bass of Roberto Scandiuzzi, the Fiesco, combine to make the Act 3 duet a moment of rare Verdian nobility.

These two young artists bear themselves with eloquent dignity and economy of movement: this, indeed, is a trademark of the Moshinsky production. It is a pleasure to see the often marginal figure of Gabriele Adorno so unfussily clarified; and a boon to hear from the American Michael Sylvester a tenor of such ringing, expansive, yet malleable style; this Adorno sounds – as the character always should but often doesn't – as though *Otello is well within his grasp*. The Amelia-Maria is Kiri Te Kanawa; 18 years have passed since that first exquisite revelation in the role. Freshness of projection is sometimes lacking, though not serene ease; but the involvement level is high. This is a Te Kanawa characterisation, not a gracious guest appearance.

Moshinsky, in company with the designers Michael Yeargan (sets) and Peter J. Hall (costumes), keeps the opera focussed on essentials – the sea, the psychologically crucial exchange of outdoor and indoor locations (a high-ceilinged single set swiftly varied and well-spaced, bold use of Renaissance costume-colour), the contrast between Boccanegra's high ideals and the brute realities of human existence.

It is no doubt possible to treat the opera to an up-to-the-minute modernisation: Genoa-equals-Dubrovnik, in vulgar formula. Moshinsky is more subtle, more grown-up than that; and while a thematic use of wall-inscriptions and graffiti raises the opera's "political profile", the larger issues are not elbowed into the audience consciousness. (The precise treatment of the scheming Paolo, finely played if a touch under-sung by Alan Opie, is a case in point.) Only in the father-daughter reconciliation does one sense emotional depths still untouched by performers and production.

Or is this because, for all his extraordinary and obvious virtues, the failing lies with Solti? After the feebleness of choral and orchestral performance in *Les Huguenots*, the full-throated execution was throughout a blessed relief; the attention to detail, to all those life-giving strokes of sea-air colour, is marvellously vigilant. I find the conducting altogether too insistent, too eager to push forward – as in that father-daughter scene – and too seldom genuinely lyrical in conception. Criticism of this sort must finally be a matter of personal taste; there can be no doubt of the conductor's stature, or of the evening's achievement.

Max Loppert

Alastair Muir

Alexandru Agache and Kiri Te Kanawa

Don Giovanni

QUEEN ELIZABETH HALL

Over the past couple of years Opera Factory has been working on productions of the three Mozart-Da Ponte comedies for the South Bank. Two were successes from the outset, but *Don Giovanni* eluded the company the first time round and for the completed trilogy this year they have had another go, mounting a completely fresh staging.

The audience arrives to find a virtually bare open stage. The benches which constitute the only props are arranged to form a circular acting-area like a bull-ring. The opera is set in Spain after all, and there are a few reminders of the fact, such as the occasional wide-brimmed black hat among the everyday modern clothes, although there is no attempt to follow through to any particular concept.

By and large David Freeman's productions are not much interested in time and place. Or, for that matter, in social and political issues, which one might have thought crucial to this opera. The emphasis is rather one of method, using a physical dramatic style to unbutton the singers' inhibitions, and often their trousers as well, so as to lay bare the emotions that many operatic performers are too cautious to express.

On Tuesday the rewards seemed to me in inverse proportion to the cast's strenuous efforts. An idea of what this *Don Giovanni* might have been could be glimpsed in Marie Angel's tortured Donna Anna, whose writhings of grief really did start to hit a nerve as the opera progressed. Though not a stylish Mozartian, she also sang well and her idiosyncratic voice has a beauty that could become compulsive on repeated hearings. For the rest there is a lot of the usual Opera Factory running about and heaving and panting, together with some novel play with fruit and vegetables. By the end of the evening the cast looks quite a dog's dinner, drenched in wine, ice cream and squashed tomatoes.

It takes a certain sense of humour to play Don Giovanni in a production like this and Steven Page's firmly-sung portrayal judged the balance between comedy and dangerous charisma nicely. Christine Bunning was the bright, sometimes shrill, Donna Elvira, seven months pregnant and keen to erase her name from Leporello's little book. There was a delightfully natural Zerlina from Susannah Waters. Nigel Robson's Don Ottavio declined to give us "Il mio tesoro", perhaps wisely; and the cast was completed by Patrick Donnelly as a tough Leporello, Meurig Davies and Tom McDonnell.

They all had to deal with a performance of headlong intensity from Mark Wigglesworth and The Premiere Ensemble, which was often very fast and inclined to make abrupt changes of direction without advance warning. On balance I found it inexpertly paced.

I never felt that I had learnt anything new about the opera from this production. It is entirely possible to admire Opera Factory's adventurous style while wishing that they would use it to tell us more about Mozart's comic drama, to engage its humour and its issues more deeply. As the grapes and bananas began to fly, this *Don Giovanni* just came close to being a feast of self-indulgence.

Richard Fairman

Falstaff

MERMAID THEATRE

The Japanese version of *Falstaff* is full of fun. It is the Falstaff of *The Merry Wives of Windsor* rather than of Shakespeare's history plays, the one that Verdi picked up and recreated. Yet it draws from the whole canon while adding a dimension of its own.

Some of Falstaff's remarks on honour that come from *Henry IV* are there, just as they are in Verdi. A few lines from the Boito libretto are there almost verbatim: "Tutto nel mondo è burla" – "the whole world is but a jest". There is a pleasing linguistic joke: whereas the English Falstaff drinks sack, his Japanese equivalent drinks saké. When Falstaff lies down and feigns death, someone wonders whether this is a saké barrel with the hoops loose.

The Japanese Falstaff used to be a close friend of the son of the Shogun – "we drank and robbed and together" – but when the son became the Shogun, the knight was banished. We all know where that came from.

Quite the best element in the Japanese performance is Falstaff himself: fat and gross with a huge black beard and hat to match, but not without a certain dignity. He is called Suke-emon Horata which, according to a programme note, means something like "big-bellied drunkard, lecher, braggart and teller of tall tales". The Japanese sub-title of the piece is *The Braggart Samurai*.

Falstaff is played by Mansaku Nomura. Secure in his great costume, he looks a very big man. Yet when occasionally we see his naked hands, he is clearly rather a small one. His performance is a tremendous physical feat, quite apart from the acting.

The Kyogen style of Japanese theatre uses virtually no props. Thus one of the high point's of Falstaff's playing is when he is carried off in the laundry basket. There is no laundry basket, merely a servant ahead of him and another behind with a pole across their shoulders from which the basket is supposed to be hanging. Falstaff bounces and bobs along on the floor between the them, jolted by every stop and start. It is as though the basket were there, but we can see through it. The production is worth seeing for that scene alone.

There are other delights, for this is a Japanese team performance, and not without satire. It hints at the Japanese readiness to rebel against a top man who is over the top. The plot has been simplied and curtailed from *The Merry Wives* and Verdi. The piece runs for little more than an hour. No-one gets hurt in the end: it is the Falstaff of Toad of Toad Hall.

Kyogen, I learn gratefully, is classical comedy theatre, the term meaning roughly "totally involved in" or "crazy about words". An English summary of the dialogue hangs from the ceiling. There is some music to go with it – nothing like Verdi, though some of the songs are catching. The last one is a kind of "Hey Nonny-no" and includes the line "All the world is a Kyogen farce" as well as "All the world's a jest."

Falstaff is preceded by a 15 minute piece called *The Owl*. Here is a Japanese shaggy bird story. Wait for it: the punchline is very funny even if you did not fully understand what went before. The performance runs until Saturday.

Malcolm Rutherford

CINEMA

Family romances with a black twist or two

Freud called it the "family romance". It is the syndrome whereby people think they were born into the wrong family, or swapped at birth, and should have lived the lives of princes, princesses or millionaires.

This delusion is entirely honourable and healthy: certainly more so than its opposite, the placid resignation with which we accept life at 22 Railway Cuttings when we could be musing on the might-have-beens of life in our putative native Ruritania. The hero of *Toto The Hero*, a wonderful Belgian comedy by Jaco Van Dormael, is crusadingly unhappy. We first meet him in an old people's home, played by a thin-lipped, venom-souled Michel Bouquet. He still flashbacks to the day he was taken from the wrong cot during a maternity ward fire. The frightful Alfred, played like Toto by different actors at different ages, went on to steal his Mum and Dad, marry his adored sister Alice and became a wealthy industrialist.

"You've stolen my life, nothing ever happened to me!" whispers old Toto in rhetorical voice-over. What follows is the family romance with a vengeance: several vengeances indeed. Anything can happen in this wartime/postwar world where the ghost of Tintin meets the black spirit of Chabrol. Toto's Dad is shot down over England on a marmalade-buying mission for Alfred's supermarket chain; a woman's bleeding forehead in a butcher's shop betrays not a haemorrhage but a shoplifted steak under her hat; and shots of a burning barn on the maternity ward's black-and-white TV serial later recur for real, in colour, as if the hero's future had been been incubated in the world's collective fantasy ward.

At times we might be watching a children's version of David Lynch's *Blue Velvet*: the lethal impulses secreted inside smiling suburbia. Dad's impromptu singalongs at the piano recall Lynch's dancing tulips and waving firemen. But the serpentining narrative, slithery with non-sequiturs, becomes weirder as it progresses. We never know till the final fade if it will end in tears or laughter and by then we are too engrossed and delighted to care.

★

There is another kind of family romance: the one where we make a surrogate parent out of someone who would rather clobber us than care for us. The title hero of *What About Bob?* (Bill Murray) is a your everyday paranoid schizophrenic. He lives in New York (where else) and thinks the city is out to get him. He suffers from hypochondria, agoraphobia and involuntary swearing. He cleans doorknobs before opening them and then finds he cannot move through the door. He believes that Richard Dreyfuss, standing in for his regular psychiatrist, can help. In actual fact Dreyfuss is about to go on holiday and soon finds he would like to kill him.

For half an hour, director Frank Oz (*Dirty Rotten Scoundrels*) and writer Tom Shulman (*Honey, I Shrunk The Kids*) make a co-ordinated attack on our funnybones. Bill Murray, whose face is a human punchball and whose voice has the slurred defiance of the truly mad, steps through New York like a man tiptoeing through a battlefield. Then, squaring off across the expensive shrink-desk, he and Dreyfuss promise the most piquant partnership in exasperation since Laurel and Hardy.

It does not work out, though there are giggles on the way. The dread hand of Disney Studios is in the plot's moralising. For guess what? Dreyfuss's children come to know and love the holy fool Murray (who follows Dreyfuss to his lake-side holiday), while slowly perceiving the flaws in Dad's martinet pickiness.

Heigh ho. At least Murray is magnificent. And Dreyfuss has moments of spluttering splendour as he responds to the invasion of his privacy by suppressing four-letter words and groping for that deathless standby epithet of psycho-babble, "inappropriate".

★

John Sayles's *City Of Hope* is about life and death in New Jersey. Where shall we begin? Every social and ethnic section in this town seems to be at each other's throat and the screen is loud with state-of-the-nation declarativeness. Young Nick (Vincent Spano) is on drugs and quits his building job. His building contractor Dad Tony Lo Bianco does something terrible to a tenementful of blacks. Black liberal councillor Joe Morton rallies support against the corrupt white Mayor. Two black teenagers biff a gay jogger. And there is that nasty, wise-cracking piece of white trash (Sayles himself) who runs a car-shop or somesuch by day and a burglary business by night.

If you enjoyed Sayles's *Matewan* – 500 pounds of social awareness dropped on your toes – you may enjoy this. It leaves no modish social issue of modern America unexplored and ends with a madman-tramp crying "Help!" (ah the irony) to the unlistening streets.

To me the film resembled eight episodes of *Hill Street Blues* joined together and served up with the loudhailing liberalism of a Stanley Kramer. Requisitioning a wide screen for his socio-critical pretensions, Sayles peoples it with stereotypes and asks us to care. Love plots, crime plots, violence plots have no quirky life of their own but are just part of the giant tendentious jigsaw. One comes out wondering what happened to the self-aware, quicksilver Sayles who used to screenwrite movies that were like movies (*Alligator*, *Piranhas*)? *City Of Hope* belongs to the cinema of pompous despair.

★

Other People's Money, directed by Norman "Moonstruck" Jewison, also trades quickwittedness for moralising. Business tycoon Danny DeVito, as round, tasty and bad for the health as the doughnuts he chain-eats, paces his skyscraper eyrie in Wall Street. He wants to buy up "New England Wire And Cable." This industrial ragamuffin in backwoods Rhode Island is run by kindly Gregory Peck and his girlfriend Piper Laurie. Laurie's daughter happens to be the beautiful anti-takeover lawyer (Penelope Lee Miller) who will soon be fallen head-over-heels in love with by the spherical Mr DeVito.

Not even a Japanese car manufacturer could fit so many different components under one bonnet. Black comedy, sentimentality, boardroom suspense, Capra-esque populism: one is amazed they can live and function together in a small space. Actually they can't. Most of the film's energy-forms die by about reel five: including Mr Peck, lost in a cloud of white hair and homilies, and Miss Miller, lost in a role that should have been played by the young Katharine Hepburn.

The component who sparks loudest and longest is DeVito, a mad-eyed cherub with a greedy snarl, a connoisseur cackle and a Robin Hood self-image ("I take from the rich and give to the middle class.") In *Other People's Money* the Devil not only has the best tunes, he is the only person to realise that a plot this dotty and homiletic ought to be a musical.

★

We all mourn, do we not, the passing of the Brat Pack? Once upon a time no week went by without Molly Ringwald or Rob Lowe hellraising after school hours. Now here is *Shaking The Tree*, directed by Duane Clark: a brat pack film without the brat pack. Indeed without anything much at all. I thank the fellow critic who woke me during an especially slumbrous passage as the little-known cast go through their last fights, loves, condom jokes and drinking sprees before purportedly growing up. "Life hardly ever turns out the way you expect it to," says someone: a compliment that could never be paid to this film.

Nigel Andrews

TOTO THE HERO
Jaco Van Dormael

WHAT ABOUT BOB?
Frank Oz

CITY OF HOPE
John Sayles

OTHER PEOPLE'S MONEY
Norman Jewison

SHAKING THE TREE
Duane Clark

Thomas Godet in "Toto the Hero"

INTERNATIONAL ARTS GUIDE

TODAY'S EVENTS

ATHENS

Concert Hall 20.30 Dmitri Sgouros plays piano music by Mozart, repeated tomorrow. Next week: I Virtuosi di Praga give a series of Mozart concerts (722 5511)

BERLIN

Staatsoper unter den Linden 19.30 Heinz Fricke conducts Ariadne auf Naxos, with Reiner Goldberg as Bacchus. Tomorrow: Le nozze di Figaro. Sat: John Cranko's ballet The Taming of the Shrew. Sun: Lohengrin with Magdalena Hajossyova as Elsa (East Berlin 2004 762)

Komische Oper 20.00 Rolf Reuter conducts the Orchestra of the Komische Oper in a concert of symphonic music by Hans Pfitzner. Tomorrow: La boheme. Sat: Idomeneo. Sun: Orfeo ed Euridice, with Jochen Kowalski as Orpheus (East Berlin 2292 555)

Deutsche Oper 19.30 Aida with a cast led by Giorgio Lamberti and Ingvar Wixell. Tomorrow: Don Giovanni. Sat: ballets by Balanchine, Bejart and MacMillan. Sun: Die Walkure with Anne Evans as Brunnhilde and Robert Hale as Wotan (West Berlin 3410 249)

Schlosspark-Theater 20.00 Alfred Kirchner's production of Mozart's Der Schauspieldirektor, with the RIAS Jugendorchester conducted by Sebastian Lang (7931 515)

Schauspielhaus 20.00 Claus Peter Flor conducts the Berlin Symphony Orchestra and Berlin Radio Chorus in choral and orchestral music by Mozart, repeated tomorrow and Sat. Sun at 16.00: Simon Rattle conducts the Berlin Philharmonic Orchestra in The Rite of Spring and Sibelius' Violin Concerto, with Ida Haendel (East Berlin 2272 261)

BONN

Oper 20.00 Ronald Hynd's new ballet Rosalinde, music by Johann Strauss. Tomorrow and Sun: Miguel Martinez-Gomez conducts concert performances of Maria Stuarda, with a cast led by Edita Gruberova, Martine Dupuy and Alejandro Ramirez. Mon: Lieder recital by Simon Estes, accompanied by Veronica Scully (773667)

HAMBURG

Staatsoper
On Sunday Bernhard Klee conducts the first night of Marco Arturo Marelli's new production of Cosi fan tutte, with a cast including Karita Mattila, Susan Quittmeyer, Boje Skovhus and Deon van der Walt. Further performances on Nov 20, 23, 26, 29 (351555)

Deutsches Schauspielhaus
The repertory currently includes Brian Friel's Dancing at Lughnasa directed by Michael Bogdanov (tonight), a new production of Chekhov's The Cherry Orchard directed and designed by Wilfried Minks (tomorrow) and Shakespeare's Hamlet on Sun (248713)

LONDON

THEATRE

National Theatre
Tonight's show in the Olivier is David Hare's new play about the judiciary, Murmuring Judges. Tomorrow and Sat, Antony Sher stars in The Resistible Rise of Arturo Ui, Brecht's grim comic parable about the Nazis. Next week's repertory includes Alan Bennett's stage adaptation of The Wind in the Willows. Tonight, tomorrow and Sat, the Lyttelton is showing Eduardo de Filippo's end-of-war drama Napoli Milionaria, starring Ian McKellen. On Thurs next week, the Lyttelton starts previewing Alan Bennett's new play The Madness of George III (071-928 2252)

Royal Shakespeare Company
The repertory at the Barbican includes Oscar Wilde's rarely-staged comedy A Woman of No Importance, directed and designed by Philip Prowse (tonight), and Chekhov's The Seagull, directed by Terry Hands with a cast led by Susan Fleetwood (tomorrow and Sat). Next week the RSC stages The Strange Case of Dr Jeckyll and Mr Hyde by Robert Louis Stevenson, in a new version by David Edgar directed by Peter Wood. Chris Hannan's version of Ibsen's The Pretenders is showing in The Pit tonight (071-638 8891)

West End Theatre
Three of the English-speaking world's leading playwrights have new plays currently running in London: the Almeida has Harold Pinter's Party Time, with a cast including Dorothy Tutin and Nicola Pagett (071-359 4404). Arthur Miller's Ride Down Mt Morgan can be seen at Wyndham's, directed by Michael Blakemore and starring Tom Conti (071-867 1116), while Alan Ayckbourn's comic two-parter The Revenger Comedies is showing at the Strand, with a cast led by Joanna Lumley and Griff Rhys Jones (071-240 0300). Other recently-opened shows are Anouilh's Becket at the Haymarket, starring Derek Jacobi (071-930 8800), Samuel Becket's Waiting for Godot at Queen's (071-494 5040) and Moliere's comedy Tartuffe with Paul Eddington, John Sessions and Felicity Kendall at the Playhouse (071-839 4401)

● For ticket information about all West End shows, phone Theatreline from anywhere in the UK: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962

MUSIC AND DANCE

Covent Garden 19.30 Royal Ballet in choreographies by Fokine, Ashton, Robbins and MacMillan. Tomorrow: Les Huguenots. Sat: Simon Boccanegra (071-240 1066)

Coliseum 19.30 Graeme Jenkins conducts a revival of the David Alden/David Fielding production of Un ballo in maschera, with a cast led by Edmund Barham, Janice Cairns, Linda Finnie and Malcolm Donnelly. Tomorrow: Le nozze di Figaro. Sat: The Mikado (071-836 3161)

Barbican 19.45 Prokofiev Festival: Mstislav Rostropovich conducts the London Symphony Orchestra in the First and Fifth Symphonies, plus the Second Piano Concerto with Vladimir Feltsman. Tomorrow: Richard Hickox conducts the City of London Sinfonia. Sat: Jessye Norman (071-638 8891)

Royal Festival Hall 19.30 Kenneth Klein conducts the RPO in music by Gershwin, Barber and Copland, plus excerpts from Showboat. Tomorrow: Bryden Thomson conducts the LPO. Sat: Rozhdestvensky conducts the Stockholm Philharmonic, with Igor Oistrakh violin soloist. Sun: Michel Plasson conducts Berlioz (071-928 8800)

NEW YORK

Avery Fisher Hall 20.00 Kurt Masur conducts the New York Philharmonic Orchestra in a programme of variations by four composers, including Reger's Variations on a theme of Mozart and the Rakhmaninov Rhapsody on a theme of Paganini played by Viktoria Postnikova. Repeated tomorrow at 14.00, also Sat and next Tues. Sun at 15.00: Christopher Hogwood conducts the Academy of Ancient Music in Mozart and Haydn. Sun at 19.30: Alfred Brendel plays two Mozart piano concertos with the Orchestra of St Luke's (875 5030)

Alice Tully Hall 20.00 Jazz at Lincoln Center: Dewey Redman and Friends. The Texas-born saxophonist is joined by Don Cherry, Charlie Haden and other favourite collaborators. (875 5050)

Metropolitan Opera 20.00 Cheryl Studer sings Violetta in La traviata, with Franco Farina as Alfredo and Juan Pons as Germont. Runs till Dec 12, with next performance on Mon. (362 6000)

PARIS

Opera Bastille 19.30 Myung-Whun Chung conducts Andrei Serban's production of The Fiery Angel, with Marilyn Zschau and Philippe Rouillon. Also Sat and next Tues (4001 1616)

Théâtre des Champs-Elysées 20.30 Gerard Schwarz conducts the Orchestre National de France and the Chorus of Radio France in Elgar's The Dream of Gerontius, with Della Jones, Vinson Cole and Desmond Byrne. Sat: Lazar and Pavel Berman join the Via Nova Quartet in a concert of chamber music by Ravel and Prokofiev (4720 3637)

Châtelet 19.00 Trio Cercle give a Mauricio Kagel 60th birthday concert. Sat and Sun: West Side Story (4028 2840)

VIENNA

Staatsoper 18.30 Berislav Klobucar conducts Der Rosenkavalier, with a cast led by Mechthild Gessendorf as the Marschallin and Kurt Rydl as Ochs. Tomorrow: Cosi fan tutte. Sat: Salome. Sun: Fidelio (51444 2960)

Musikverein 19.30 Yevgeny Svetlanov conducts the Vienna Symphony Orchestra in Rimsky-Korsakov's symphonic suite Antar and Brahms' First Symphony, repeated tomorrow, Sat and Sun (505 8190)

Konzerthaus 19.30 Grace Bumbry, accompanied by Jonathan Morris, sings Lieder by Brahms. In the Schubert-Saal, Beat Furrer conducts the Klangforum Wien in music by Morton Feldman and Harrison Birtwistle.
Tomorrow: Arleen Auger and Murray Perahia join the Vermeer Quartet in a Mozart programme. Sat: Michael Gielen conducts Birtwistle's The Triumph of Time. (7124 6880)

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(all times CET)

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0730-0800 Moneyline
1230-1300 Business Morning
1330-1400 Business Day
2000-2030 World Business Today – a joint CNN/FTTV production with Grant Perry and Colin Chapman
2300-2330 World Business Today
0100-0130 Moneyline

Superchannel
0600-0620 Business View
0630-0700 Business Insiders
2130-2200 (Tues) East Europe Report – weekly indepth analysis from FTTV
2130-2200 (Wed) FT Business Weekly – global business report with James Bellini
2130-2200 (Thurs) Talking Heads – international issues2230-2240 Market Wrap – live from Wall St

Sky News
1200 International Business Report
1130, 1730, 2130, 0430, 0530 (Thurs) FT Business Weekly

SATURDAY

CNN
0730-0800 Moneyline
0900-0930 World Business This Week – a joint FT/CNN production
1900-1930 World Business This Week

SUNDAY

Superchannel
1800-1830 FT Business Weekly

Sky News
1330, 1630, 2030, 0030, 0230 FT Business Weekly

CNN
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The debate over the EMI

THE EUROPEAN Monetary Institute sounds like the name for an innocuous new think-tank. If the Germans have their way, it would be a new name for the committee of central bank governors. But others – particularly the French – see the EMI as more than just an embryo of the European Central Bank, which is to be established in the third stage of the move to Emu; they see it as a lively child.

To understand this debate, remember that Emu is more about politics than about economics. Members of the EC could create a currency union tomorrow by implementing a set of national currency boards in D-Marks. Thereupon the French franc and so forth would become different names for the D-mark, as the Hong Kong dollar is now another name for the US dollar.

The countries of the EC have not even contemplated this solution, partly because their central banks could no longer act as lenders of last resort and partly because the monetary policy of the Bundesbank might be inappropriate for their own conditions. But their main objection is to permanent domination of EC monetary policy by one country's central bank, however competent.

This the Germans have accepted. But they have set a high price on that acceptance: at the centre of the Emu web there will sit a European Central Bank more independent and more powerful than the Bundesbank; and until the ECB comes into being in the third stage of the move to Emu, nobody will be able to hobble the Bundesbank.

This leaves a little problem and a big one. The little problem is how to fill the hole called the second stage of Emu. The European Monetary Institute is the answer. But creating the EMI turns the little problem into a big one. What exactly is the EMI to do?

Overlapping functions

The Germans are determined that the EMI shall not have monetary policy functions that overlap with – or, worse, override – those of the Bundesbank. The French argue that the EMI must be able to act, not merely because the ECB cannot become a functioning institution over night, but because the EC needs a body for effective monetary co-ordination during the transition.

This difference of view determines differences over the EMI's composition and functions. The Germans want the EMI to be a new bottle into which can be poured the old wine of the committee of central bank governors. The French want the EMI to have a president and vice-president appointed by the member states. The Germans want the EMI to act by consensus, while the French would like qualified majority voting. The Germans want the EMI to be a forum, not a body with independent executive functions. The French would like it to have its own capital and be able to manage its own foreign exchange reserves.

Real power

These are not technical differences. A body able to use foreign exchange reserves, on the basis of qualified majority voting, would have real power. It could not help but compromise that indivisibility of monetary policy on which the Bundesbank has insisted.

The obvious compromise is for the Germans to agree to the appointment of a managing director who is not a central banker, as discussed earlier this week. What they cannot easily do, however, is yield on the functions and voting structure of the EMI.

Nor need they do so. The ECB does not have to exist in embryo prior to the third stage of Emu. That stage merely demands the freezing of exchange rates, which can happen over night. Central bank governors can then set a common monetary policy, by some form of majority voting, in the period between fixed exchange rates and a single currency.

The move from the European Monetary System to Emu may be as much about who has the power to make monetary policy as its quality, but it would be best to conceal that fact, particularly from the Germans. So long as the EC is not in Emu, the Bundesbank should be allowed to do what it does best, without back-seat driving from the EMI. The EMI should be a forum and a think-tank, not an infant central bank.

Argentina turns a tight corner

PRESIDENT Carlos Menem assumed office as an unlikely crusader for economic orthodoxy and the free market. He has surprised many by the vigour of his conversion to the cause. That conversion has provided Argentina with its biggest chance in years of emerging from its longstanding economic malaise.

His Peronist party had epitomised the approach to economic management which helped take Argentina out of the First World and into the Third. He took office with little apparent coherent ideology. He faced hyperinflation and a complete loss of confidence in government. However, he has chosen his key economic team wisely, and in his latest finance minister, Domingo Cavallo, he has found a man with a clear and realistic vision for Argentina.

Meanwhile, Mr Menem himself has used his political acumen and his communication skills to good effect, allowing his finance minister the political space in which to introduce reforms. These are orthodox. A serious attempt is under way to bring the budget under control and discipline has been imposed on the system by fixing the Argentine currency at 10,000 australs to the dollar. The central bank is required by law to limit the growth of the monetary base to expansion of international reserves. Tax reforms have increased revenues, government expenditure has been curbed, trade barriers lifted and privatisation is proceeding apace.

Productive activity

This makes good economic sense in Argentina, as elsewhere, not for ideological reasons but because it forces economic agents into productive uses of their resources. It overturns the state of affairs which had prevailed for over half a century, where it was more profitable to lobby the government for favours – what economists call rent seeking – than to engage in efficient production. The reforms have also reduced the opportunity for corruption.

Inflation, Argentina's most important economic yardstick, is down: from 1,344 per cent last year, to about 90 per cent this, perhaps to 30 per cent next. August's 1.3 per cent monthly figure was the lowest in 17 years. Growth, at 0.4 per cent last year, should exceed 4 per cent this year and accelerate next year.

Salutary scepticism

The job, however, is far from completion. Mr Menem will not achieve in a year what it took Mexico nearly eight to accomplish. A measure of scepticism is still in order. Argentina has in the past shown signs of emerging from its economic trough only ultimately to fail. When this has happened, the cause has invariably been the government's inability to control the fiscal deficit. Hopes are higher on this occasion because of the structural changes already made, but the budget may yet turn out to be the current programme's Achilles heel. Mr Cavallo has been using privatisation receipts to plug the budget deficit, a policy not sustainable indefinitely, though he argues that it is necessary to maintain economic confidence – for which the overall budget deficit is a key indicator – while the changes to the tax system take effect. Other areas for concern are the social security system and the continuing losses of the official development banks, both at a provincial and national level.

Fiscal control is also crucial to maintaining the exchange rate, a central plank in the inflation fight. Pressure will grow on the government to devalue as manufacturers find it more difficult to export, but the government, sustained by its popularity, should be able to resist this. This should also give it confidence to embark on a fundamental debt restructuring with the commercial banks, owed $30bn of the country's $57bn foreign debt. Argentina's debt is high by almost any objective measure and without relief, sustainable growth will be impossible. In contrast with Brazil, Argentina has handled its creditors well.

The reforms so far should have earned Argentina the benefit of doubt in the international financial community. Support for debt restructuring would be a tangible response from the Group of Seven for Argentina: it should now be forthcoming.

Strains have emerged in the Franco-German relationship, but common goals remain in force, write **Ian Davidson** and **Quentin Peel**

An odd couple still in tune

The personal relationship between Chancellor Helmut Kohl of Germany and President François Mitterrand of France is both one of the most unlikely and one of the most enduring on the current international scene.

The earthy, chummy conservative politician from the Rhineland, at his happiest discussing Palatinate white wines, seems to have little in common with his austere, socialist counterpart. Chancellor Kohl calls Mr Mikhail Gorbachev and Mr John Major by the familiar "Du", reserved for close friends. Yet he and Mr Mitterrand, whose relationship goes back far further, remain firmly and formally stuck with calling each other "Sie" and "vous".

Yet today and tomorrow, as they meet for their latest full-dress bilateral summit, this odd couple are renewing a partnership that will be crucial to the success or failure of the European Community's negotiations on political and monetary union which culminate in Maastricht in less than a month's time. They will be seeking to cobble together the vision to transform the negotiations from an uneasy compromise into a genuine stride towards their common goal of a federal European union – a United States of Europe.

These Franco-German exchanges (this is the 58th of its kind) have become invested with a political intensity which puts them in a different class from the regular bilateral meetings between France and Italy, say, or Britain and Germany. Their central purpose is to launch joint policies, side-by-side.

Nobody can doubt the present solidity of the Franco-German partnership. Outsiders, like the British and Americans, consistently under-estimate its strength, and are continually left surprised at the consequences.

And yet the relationship now exists in a world that has been transformed, not least as a result of the unification of Germany and the recovery of German sovereignty.

"There is no doubt that unification has changed a very great deal," says one of Germany's most experienced ambassadors. "In the first place, France and Mr Mitterrand did not like it. They were forced to accept it, and Germany knows that.

"Then it has opened up new options in central and eastern Europe. The overriding priority for German foreign policy today is the maintenance of stability in the new institutions and the new order. Germany has a role, and with that, more self-confidence. The priority for France is to redefine its role in the new world order.

"The fact that France was a member of the UN Security Council, and Germany was not; that France had nuclear weapons, and Germany did not: those helped the relationship. Now they are no longer so relevant."

Indeed, France's nuclear missiles are now causing positive embarrassment to Chancellor Kohl. German public opinion is incensed at the French decision to carry on with the production of short-range Hades missiles, in spite of the fact that their range means that only targets in former East Germany can be reached.

That is just one example of the new sort of irritant in the relationship. Another is the German preoccupation with the costs of unification, which mean that there is no spare cash for the ambitious collaborations of the past. The most immediate example, and likely casualty, is the French-led Hermès space shuttle, which may have to be abandoned, or seriously delayed, by Bonn's refusal to find more money from its budget.

The other side of the German deficit spending on unification is the reversal of roles in economic performance. For it is France today, not Germany, which sees itself as top of the class for economic good behaviour, with an inflation rate under firm control.

The initial cooling of the relationship caused by unification has been largely overcome. In recent months, the co-ordination of the two governments in the EC negotiations has been close and constant. But behind that co-ordination strains remain. One concerns the subject no one wants to put on the table until after Maastricht – enlargement of the Community. It is the argument between "widening" and "deepening" the EC. Put crudely, Britain wants to widen the EC, with new members, but not to deepen it with closer integration. France wants to deepen it, but not to widen it. And Germany wants to do both.

Another strain which has long existed, but which has been made acute once more by the need for a rethink of Nato strategy, is the debate over the Atlantic arm of the alliance. Bonn is caught between the blandishments of Paris and of Washington, wanting to reconcile their opposing views on the US military commitment to Europe. It is seeking to ease that tension with a European defence policy which would "double hat" some of its troops, at once under Nato command and serving alongside non-Nato French soldiers in their joint brigade.

The questions now are how long the joint commitment to European integration can overcome the emerging policy differences; and what sort of partnership France and Germany can forge not just at Maastricht, but beyond it.

The very strength of the partnership owes everything to its origins. History decreed that France must be obsessively concerned with its relationship with Germany: the French humiliation in the Franco-Prussian war, the slaughter of millions in the trenches of Flanders, the collapse of France in 1940 and the Nazi occupation, are all French nightmares still being exorcised. But the defeat of Hitler and the division of Germany enabled France to claim the symbolic spoils of victory.

Enlightened French statesmen concluded very quickly that France must work for reconciliation with Germany, in ways that would forever rule out another European war. That was the purpose of the historic proposal (inspired by Jean Monnet and enacted by Robert Schuman) to found a European Coal and Steel Community, the basis of today's EC.

COUNTDOWN TO MAASTRICHT

Not all French statesmen were so enlightened. President Charles de Gaulle undoubtedly saw the primary purposes of the 1963 Franco-German treaty, the basis of the present relationship, as those of atavistic national power politics. He wanted to weaken German dependence on the US, to sap the impetus towards European integration, to stress Germany's diminished political sovereignty, and to assert French political dominance in Europe.

Over time, the Franco-German relationship became more constructive, somewhat warmer, and slightly more equal. On the other hand, it does not yet appear to be an affair of effortless and instinctive affinity. It is not unknown for senior French officials to express impatience and incomprehension over the Germans. In the words of one official: "We may not agree with the British, but we know how to talk to them; but it sometimes seems that the Germans come from another planet."

It is not surprising, therefore, that the partnership has only flourished to the extent that it was driven from the top. Mr Georges Pompidou and Mr Willy Brandt allowed it to lie fallow, but Mr Helmut Schmidt and Mr Valéry Giscard d'Estaing revived it, and launched the European Monetary System. Today, as for the past six years, the personal factor is even more powerful and productive.

The first big joint initiative by Messrs Kohl and Mitterrand was the proposal, at the 1985 European summit in Milan, to negotiate a new Treaty of European Union. The resulting Single European Act set new targets for economic integration and lifted the EC out of a decade of Euro-pessimism. That in turn gave the impulse for further integration – to today's twin negotiations on political union (Epu) and economic and monetary union (Emu). What is striking about the current phase is that France and Germany have repeatedly raised the stakes by lifting the target at which the Community should aim.

If the Maastricht summit matches the far-reaching ambitions assigned to it, it will largely be because of the efforts of Messrs Mitterrand and Kohl.

Take Emu. Negotiations for what is arguably the most sweeping single step towards integration yet taken by the EC have proved far easier than expected, largely thanks to the Franco-German relationship.

In the words of one of Bonn's principal negotiators: "There was a very deep German-French understanding on the fundamental point: that we really wanted it, that we were ready to give up our D-Mark, and that the French were prepared to accept a (German) concept that depended on monetary stability, the independence of the central bank, and a sound money policy.

"In political terms, the French have recognised that we, with our 80m people, don't want to play a special role, we don't want to dominate. The chancellor made that politically believable. He made it clear that he was prepared to lead Germany deep into Europe. On the other side, we are prepared to believe in their policy of (economic) stability." With that agreement, the details have proved manageable.

On other issues Germany has shown a growing readiness to make the running. That is particularly true of the most recent joint proposals for a European defence identity (based on the Western European Union) and a European defence corps (based on the existing Franco-German brigade). Those proposals, according to officials in Bonn, were almost entirely drafted in Chancellor Kohl's office.

The fact is that the Germans responded to the French desire for a more substantial political union with a real defence component, by giving them what they wanted, and something more. "It was our response to Mr Mitterrand's threat to withdraw all French forces from Germany," according to one official. "Our aim was to bind France in more closely, both to the alliance and to Germany."

The European corps would do that by keeping French troops in Germany, tied to German troops under Nato command (and, it is hoped, troops from other Nato member states).

Thus both sides have found the same policy response to cope with the strains after unification. Within six months of the fall of the Berlin wall, in November 1989, France had concluded that the only possible answer was to speed up integration of the Community. "Whatever the problem," French spokesmen used to say, "our answer is the same: more Europe."

A senior German diplomat agrees with that perception. "Over unification, France made a tacit linkage, and we accepted it. A unified Germany needs to be integrated into the Community."

Hence French determination, and Germany's willingness, to raise the stakes in the new European treaty negotiations. In Paris, deep down, there is an unspoken assumption behind this strategy: that France – or at least Mr Mitterrand – is finally prepared to recognise the political equality of Germany. That is the meaning of the quasi-federal Europe which Mr Mitterrand claims to seek.

But will the relationship ever be the same again? A logical consequence would be for the bilateral relationship to dwindle as a federal Europe grows. But that will depend on just how far the 12 can go towards a common foreign policy and defence.

The challenge will be to maintain the partnership beyond Maastricht, when the debate moves on from deepening the EC, to widening its membership. For that is a question where Paris and Bonn are unlikely to find common ground so easily.

OBSERVER

Buffett's party time

■ Is Observer the only person getting a mite tired of investment superstar Warren Buffett's over-powering folksiness? He sometimes seems as if he has just fallen off the back of a water-melon truck.

But thanks to his simple home-spun investment philosophies he sure as hell can run rings around those smart Wall Street types. Witness his recent two-page advertisement in the form of a chairman's letter to Salomon's poor shareholders. It is a model of common sense and humility.

Of course, there is the little question of how such a shrewd investor could have been taken in by the old Salomon top management team which has now departed in disgrace.

In the investment business, backing the right person can be more important than picking the right balance sheet. And in the case of Salomon, Buffett's initial judgment was not up to scratch, although he might yet be vindicated by his choice of Deryck Maughan as chief executive.

All of this would not be so bad for Buffett fans except for the fact that their hero now seems to have been bitten by the show-business bug.

Next Monday he makes his movie debut with a guest appearance on ABC's All My Children (Buffett owns 19 per cent of the tv company) and he has already signed up for another gig – playing the ukelele for his son Peter's next LP. There is even talk that distant cousin Jimmy may join them.

Whatever happened to the publicity-shy Sage of Omaha?

Sporting chance

■ Tom Pendry, MP for Stalybridge and Hyde and a former Oxford boxing blue,is at the centre of the political infighting over who should succeed Denis Howell as Labour's shadow sports minister.

Pendry, who seems to have moved up to the heavyweight class since being crowned middleweight colonial champion in Hong Kong in 1957, is in danger of being being knocked over by the diminutive Kate Hoey, who holds a diploma in PE and has helped some of the stars of London's leading soccer clubs to keep match-fit.

With Neil Kinnock, the Labour leader, anxious to increase the number of women on the opposition front bench Hoey looks like getting the nod.

Gulf rift

■ When Gen Norman Schwarzkopf was made Knight Commander of the Bath in the Gulf War honours, diplomacy required that the same honour be bestowed on the Saudi c-in-c, HRH General Khalid bin Sultan bin Abdulaziz Al-Saud. And tomorrow the Queen will duly lay the sword on General Khalid's princely shoulder.

The prince can easily spare the time for his visit to Buckingham Palace. A few weeks ago he was "promoted and retired" after a difference with the defence minister, Prince Sultan (brother of King Fahd), who happens also to be his father. Word has it that young Khalid, flushed with victory in Desert Storm, had been getting "too big for his boots".

Healthy effort

■ What on earth is the world coming to? Terry Carroll, one of the brightest stars at the National & Provincial Building Society, is taking a hefty pay cut and going to work for the NHS as finance director of Leeds General, the city's number two infirmary.

Having been head-hunted for the job, he says he is attracted by the idea of serving the community and sees his mission as injecting some commercial logic into diverting more resources towards patient care. It all sounds very worthwhile and must gladden the heart of government ministers. However, with a property man like Tony Clegg as his new chairman – remember his £2bn plus bid for Storehouse – Observer wonders how long it will be before Leeds General makes a takeover bid for Europe's biggest hospital – its close neighbour "Jimmies".

"Do your impression of Norman Tebbit saying federalism"

New construction

■ Sad times in the Alfred McAlpine construction clan. Jimmie McAlpine, son of Sir Alfred and grandson of Sir Robert – founders of two of Britain's best known construction companies – died last week. And now son Bobby, who succeeded him, has decided to hand over the chairmanship to the first outsider in the firm's history.

The 67-year-old Sir John Milne, who made his name at Blue Circle, is joining the board, and will take over next May when "Mr Bobby" reaches 60. The changeover marks a watershed in the firm's affairs. Bobby's father had headed the firm for over 40 years and remained life president until the end.

In Jimmie McAlpine's heyday the firm was far and away Britain's biggest road-builder. However, in recent years McAlpine has been drifting and investors have become increasingly restive. Last year Graeme Odgers, a former managing director of British Telecom, was imported to reverse the slide and Sir John Milne's appointment marks the completion of McAlpine's transformation into a more professional outfit.

Bobby McAlpine will stay on the board, the family trusts still own 20 per cent of the equity, and there are young McAlpines lower down in the business. But McAlpines is never going to be the same again.

Quality tested

■ No, no, please don't read too much into the fact that Girobank has been given the prestigious British Quality Award by its proud ex-owner, Post Office chairman Sir Bryan Nicholson.

The British Quality Association is not going to allow accusations of favouritism to spoil its World Quality Day. It promises Observer that it is mere coincidence that Sir Bryan was asked to dish out the prizes at last night's award ceremony. Girobank – the first-ever financial institution to collect the honour – was picked by a group of independent experts led by a man from Rolls-Royce, no less.

Even so, Observer can't help wondering why, if Girobank is such a high quality institution, the Post Office had to sell it for such a knockdown price last year.

ECONOMIC VIEWPOINT

Stability versus animal spirits

By Samuel Brittan

The governor of the Bank of England, Mr Robin Leigh-Pemberton, provided in a speech to the Stock Exchange conference last Thursday an interesting resolution of the dispute between industry and the City about who was responsible for short-termism.

His basic answer was neither. It was the past failure of the so-called "authorities" to provide "a stable and inflation-free economy" which was at fault. This failure put unnecessary fear into rate of return calculations. It also led to painful stop-go cycles, when governments had eventually to act against inflation.

A superficial reaction is to welcome this *mea culpa*, so long as the Bank of England accepts its share of responsibility for recent mistakes and does not pretend that it was only the obstinacy of the Treasury and politicians that prevented its own brilliant analysis, predictions and advice from being followed.

But I would like to take the matter further. For some of the governor's recent speeches have been interesting enough to be worth taking issue with on their own terms, even though the governor's references to stop-go have a slightly dated air. Some of us can still recall the attacks on stop-go cycles made by many economic commentators in the 1950s and 1960s, and echoed by Harold Wilson when leader of the opposition. The original criticisms ground to a halt partly because Wilson's own governments failed to end these cycles. But in addition, studies showed that the variation of output growth around its trend was as great or greater in admired countries like Germany and Japan, then so far ahead of Britain in the international growth league.

Interestingly enough output was more stable than prices in the Gold Standard period before 1914

What worries me now is that the governor, together with his counterparts in other European Community countries, is exaggerating the degree of year-to-year price stability for which it is realistic to aim, and neglecting the role of what Keynes called "animal spirits" in healthy capitalist growth.

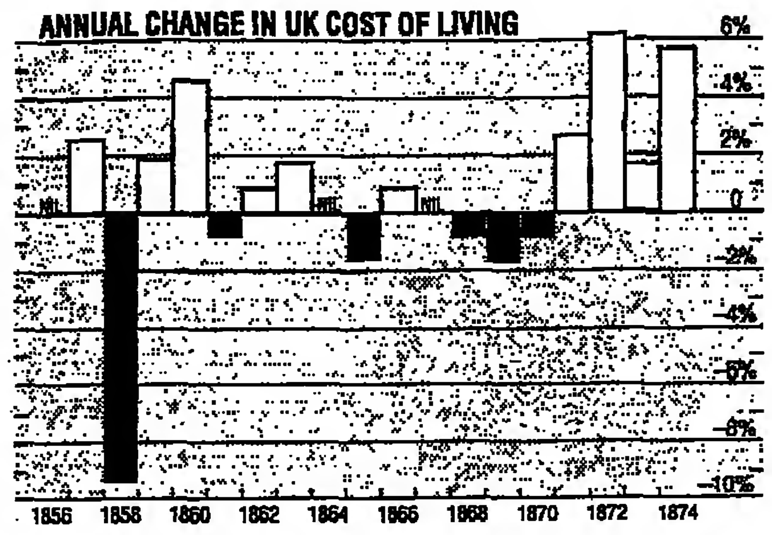
In this connection it is worth examining experience during the longest era of price stability the world has known, that of the pre-1914 Gold Standard. Over the whole period from 1846 to 1914 the UK cost of living was indeed highly stable. On average, prices fell by less than 0.1 per cent per annum.

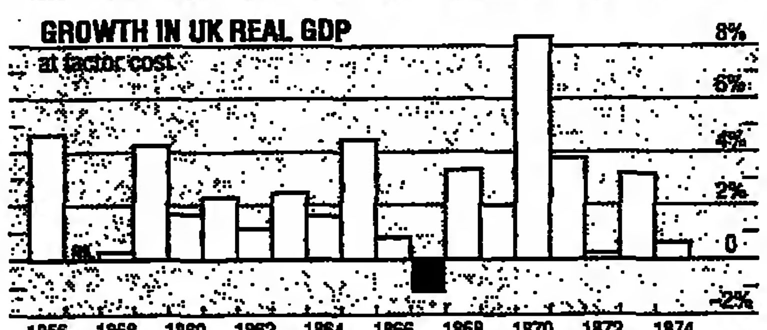
Yet this long-term stability masked very sharp fluctuations in both directions. In 1846 the cost of living fell by over 12 per cent and in 1853 it rose by a similar amount. These fluctuations were only slightly moderated as time went on. In the last full year of Queen Victoria's reign, 1900, prices rose by nearly 6 per cent. In 1908 they fell by over 2 per cent.

The period, 1855-1874, has been chosen for the illustration because there was then no trend either way in the cost of living. But there were still some violent fluctuations in intermediate years; and these did not, incidentally, take place during either the American Civil War or the Franco-Prussian one. By taking Bowley's cost-of-living index based on a few working-class staple items, I have moreover biased the data against my argument. Wholesale prices indices, such as that of the Board of Trade, show much larger fluctuations.

These big short-term movements have been used by American monetarists as an argument against the Gold Standard; and it is indeed true that year-to-year variations were less during the Bretton Woods period of semi-fixed exchange rates linked to the dollar – which President Nixon brought to an end by floating the US currency in 1971. Unfortunately, however, Bretton Woods was characterised not by stable prices but by creeping inflation, which accelerated into a trot in the years before the system broke down – largely because of the failure of the anchor country, the US, to play according to the rules. The Gold Standard era remains the one reference period for the price stability which the governor urged.

Interestingly enough output was more stable than prices before 1914. During the worst two recession years, 1900 and 1903, the fall in output was less than in either the 1980-81 or the present British recession.





Source: British Historical Statistics by B.R. Mitchell, Cambridge 1988

But there were still large fluctuations. Output growth in the period shown in the chart varied between *minus* 1.2 per cent *and plus* 8.4 *per cent* on the best rough estimates available for that distant period.

For the whole Gold Standard era, nominal GDP, which the governor would like to have as a policy objective, grew on average at an annual rate of 2.1 per cent, although no one then used the expression. But its stabilising influence was medium-term; and there were large swings in individual years.

My interest in these past statistics was engaged by the discovery that the famous Austrian economist, Joseph Schumpeter, shocked respectable pre-1914 Viennese society by arguing that the inflationary effects of credit expansion stimulated economic growth. Schumpeter asserted that an inflation caused by commercial credit expansion was to the advantage of entrepreneurs; and that their advantage became the advantage of all groups of society through their investments which brought about economic growth.

There was some evidence to support the great man. In addition to its celebrated cultural achievements, Austria-Hungary in the early 20th century saw an unprecedented rise in business profitability – and perhaps in economic growth. Yet there was consumer price inflation during those years; and the rate of credit expansion would have enraged financial puritans. Other aspects of that inflation would be equally familiar and horrifying to them. In the background was a budget deficit due to the arms build-up. But Austrian industry escaped the usual crowding-out because the deficit was financed mainly from abroad.

There is indeed no evidence that *long* periods of inflation did growth any good or that long periods of deflation did it much harm. In the UK the period from 1873 to 1896 used to be known as the Great Depression because prices (on the Bowley index) fell by an average of 1½ per cent per annum. And it is no accident that the period saw the re-emergence of protectionist movements such as the campaign for Imperial Preference in the UK, and Bismarck's dishing of the German liberals. But it is now known that real growth in the UK was almost as fast – averaging just under 2 per cent per annum – as during the rest of the Victorian and Edwardian era.

The moral is that sound money does not mean the absence of any change in the price level from one year to the next. It means something more long-term. In the heyday of the Gold Standard the best assumption a person could make, looking ahead on the basis of past experience, was that prices were as likely to fall as to rise. Because belief about prices in the longer term was so heavily anchored to expectations of zero inflation, actual changes in prices had little effect on nominal interest rates which remained remarkably stable – in Britain never straying far from 3 per cent, although Bank Rate could rise to 10 per cent in emergencies. Long-term investment was made on the assumption of stable prices. The breadwinner could plan for his grandchildren or his business, knowing that neither inflationary nor deflationary moves would get out of hand.

In this framework Schumpeter's mild inflationary booms were beneficial because of the underlying belief that prices would return to normal, although no one knew quite when. In the meanwhile the price level could take the strain of a domestic boom, rearmament, minor wars, crop failure or whatever else was producing pressure.

Schumpeter's credit expansions lasted for a few years at a time and were usually succeeded by a period of restructuring that he himself called "a gale of creative destruction". Its application to the US today was explained in an article on this page on Tuesday by Stephen Roach of Morgan Stanley under the title "Why US services need a shakeout".

According to two Stanford academics, the "vision thing" means a challenging short-term goal, but also a guiding philosophy. For central banks that must be the search for some modern version of the Gold Standard, which leaves room for animal spirits and creative destruction in a framework of long-term stability.

BOOK REVIEW

Rival prescriptions for success

THE BILLION DOLLAR BATTLE
By Matthew Lynn
Heinemann £16.99. 244 pages

Glaxo, the pharmaceutical group, is Britain's *most striking corporate* success story of the last 10 years. Indeed, it is the only UK company in recent memory which, by organic growth alone, has risen from the middle ranks to become a leader of an important international industry.

Can other companies learn anything from its success? And can Glaxo – now the second in the prescription drugs business – achieve its overriding corporate ambition and overtake the world leader, Merck of the US?

The answers, according to Matthew Lynn, are not much and definitely not. He sees the battle between Glaxo and Merck, from which his book takes its title, as a fight between black and white. Glaxo, led by "the dark and brooding genius of Sir Paul Girolami", is doomed eventually to lose to Merck and "the light and airy genius" of its chief executive Roy Vagelos.

Merck, Lynn feels, "succeeds because it puts the product first and builds around it a streak of idealism", whereas Glaxo "is a hollow enterprise, lacking purpose and lacking soul". He claims that Glaxo's "main impact upon the world has been only negative. It devoted a lot of time and energy to replacing one perfectly adequate ulcer drug [SmithKline Beecham's Tagamet] with another very similar drug [Glaxo's Zantac] which happens to cost considerably more".

Lynn, a journalist who worked on Business magazine *until it closed this* summer, unashamedly twists facts to fit his black-against-white theme. It is true that the development of Zantac, the drug that has fuelled Glaxo's explosive *growth since 1981*, was inspired by Tagamet and that the two drugs work in a similar way. (They stick to and block "H2-receptor" sites in the stomach wall. This prevents a natural *body chemical called histamine* binding to the sites and triggering the excessive acid secretion which causes ulcers.)

But Lynn ignores the fact that, according to most gastro-*intestinal specialists*, Zantac is an improvement on Tagamet and deserves the premium price charged by Glaxo.

If Zantac was "blatantly a 'me too' product with nothing more to say in its favour", as Lynn claims, doctors in the cost-conscious 1990s would be switching prescriptions back to the cheaper Tagamet. But, in fact, Zantac sales are still growing.

The book praises Merck for combining excellent commercial results with a sense of social mission. Lynn's main evidence for the saintliness of Merck is the company's decision to develop one of its veterinary medicines into a cure for African river blindness (Mectizan) and then give the drug away. But he does not analyse the costs and benefits of this philanthropy, which has done wonders both for the people of Africa and for Merck's image. Glaxo might well have made a similar gesture if it had been in a technical position to do so – and then Lynn would probably have portrayed it as a *successful PR* ploy.

The unbalanced and unsympathetic picture of Glaxo that emerges from this book is partly the company's fault

Even so, the book does include some revealing background information about Glaxo's "parallel development" programme for Zantac, which *enabled the company to launch* the ulcer drug only five years after its discovery. (The process takes 10 years for most medicines.) Encouraged by Girolami, David Jack – then *Glaxo's R&D director* – poured funds into running different development procedures simultaneously. For example, long-term toxicity testing started before the results of *short-term* tests were known.

Girolami and Jack did stake the whole future of Glaxo on Zantac in the late 1970s. If an *unforeseen side-effect had* killed the drug after tens of millions of pounds had been spent developing it, Glaxo could probably not have continued as an independent pharmaceutical company. Lynn says the likelihood of success was no more than 50:50. But fortune on this occasion favoured the brave.

Lynn has less to say about Glaxo's recent strategy of pouring hundreds of millions of pounds a year in profits from Zantac into developing a range of innovative drugs for the 1990s, including the first effective treatments for nausea and migraine. Glaxo has become an outstanding example of an international science-based based company. It has shown how successful a long-range strategy based on heavy research spending can be.

The unbalanced and unsympathetic picture of Glaxo that emerges from this book is partly the company's own fault. While Merck welcomed Lynn to its headquarters in New Jersey with open arms and arranged interviews with several senior staff, Glaxo was suspicious from the start and gave far less co-operation – a sign perhaps of the "neurosis" that he claims is rampant in the company.

As a result much of Lynn's inside information about Glaxo comes from a small number of disgruntled former employees who have left the company in recent years. The impression given is not wholly wrong. Anyone advertising for bio*medical researchers in the UK* is liable to receive applications from a disproportionate number of Glaxo scientists. It is not an entirely happy company and perhaps it needs a period *of consolidation after the* astonishing growth of the past 10 years.

But a straw poll of researchers in other pharmaceutical companies suggests that the *industry's long-term money* is on Glaxo to beat Merck. As the research director of one large US drug company says: "I respect them both but I own shares in Glaxo, not in Merck."

Clive Cookson

LETTERS

A partisan voice for the gas consumer

From Mr Ian Powe.

Sir, Your leader "Regulating the regulators" (November 11) highlights several questions arising from new powers that the Competition and Service (Utilities) Bill bestows upon the regulators.

Another question is whether the consumer needs a partisan voice, free to criticise the *soi-disant* impartial regulator and the government which appoints him, if the interests of a few million shareholders appear likely to displace the expectations of several million captive customers in an authorised monopoly. In gas, where *shareholder democracy* is presently at risk from fundamental proposals to restructure British Gas and its market, the answer is "yes".

British Gas will neglect its fiduciary duty to institutional and private shareholders if it continues meekly to accept the erosion of its profit base and its exclusion from consultation about its future. In consequence, it could eventually persuade the regulator and the government to tone down their exciting ideas for ending the company's statutory monopoly.

That has been the pattern in Europe where, this month, the Council of Energy Ministers modified the *Commission's* initial ideas for liberating the gas market by 1993; the changes were in response to intense lobbying, by monopoly-based gas companies in the member states, that went unchallenged by any co-ordinated consumer voice. In the UK, the public debate about ending the gas monopoly will include the independent voice of a Gas Consumers Council which, in contrast to consumer representation committees in electricity and water, owes no formal allegiance to the regulator.

Ian Powe,
director,
Gas Consumers Council,
15 Wilton Road, SW1

Co-ordinated pay bargaining

From Ms Molly Meacher.

Sir, David Goodhart rightly points out that co-ordinated pay bargaining has helped steady growth to be maintained in both the Japanese and German economies ("Co-ordinated pay backed by PM's advisers", November 13). Significantly, however, co-ordination can be at least as effective in a decentralised pay bargaining system as a centralised one. This is the most important lesson emerging from our highly successful conference on co-ordinated pay bargaining on Tuesday.

Employers are understandably unwilling to return to industry-wide agreements or any form of centralised system of pay bargaining. The main reason for employer resistance to our proposals has been a fairly widespread misunderstanding that co-ordination would undermine the flexibility inherent in a decentralised system.

As politicians and employers understand the compatibility between co-ordination and decentralisation of pay setting, support for these proposals is growing. However, for the record, the Campaign for Work has not had either formal or informal meetings with John Major's policy unit.

Molly Meacher,
director,
Campaign for Work,
Annexe B,
Tottenham Town Hall, N15

Difficulty of analysing BT profits

From Mr Laurence Heyworth.

Sir, Malcolm Argent of BT (Letters, November 6) criticised Hugo Dixon's article, "A lot of money on the line for BT" (November 1) which asserted that BT's profits are considerably above average. He also criticised the writer for having "dazzled himself" by relying an one stockbroker's data. As the stockbroker who provided the data, I should like to comment on Mr Argent's criticisms.

Mr Argent makes a number of points to suggest that a meaningful comparison of BT's profitability with that of other operators or with that of British industry may actually not be possible. While his individual points all have some merit, it is noteworthy that Mr Argent does not mention the cash measure of profitability which is the least susceptible to his kind of criticism. BT is substantially more cash generative than any other comparable operator, both on an absolute and a per-line basis (and after adjustments to reflect differences in activities).

In the year to March 1991, BT had a cash surplus of £611m and will, on our estimates, generate a similar surplus in the current year. Many would regard this as pretty unambiguous evidence of a near-monopoly's excessive profits.

Mr Argent goes on to say that "a more relevant international comparison capable of more objective evaluation is prices for the consumer". As I am sure Mr Argent knows, price comparisons between operators are subject to quite as many difficulties as profitability comparisons, as demonstrated by the OECD study on the subject. Be that as it may, Mr Argent says: "BT's prices stand up well to comparison with those offered by major operators in north America and western Europe." As far as Europe is concerned, Oftel publishes an annual comparison of prices in the UK, France, West Germany and Italy. The conclusion of Oftel's latest study, in February, was that, although BT's relative position worsened, its prices still seemed to be "broadly in line with European figures". Does this show BT's prices standing up well to comparison? There is a strong argument that, considering the relative financial burdens and investment programmes of the major European operators, BT's prices should be significantly lower than the average.

In conclusion, I would suggest that Mr Argent's criticism of your article is – to borrow his word – fundamentally flawed. Hugo Dixon should be congratulated for bringing to the public's attention a very important question which Sir Bryan Carsberg will need to examine in next year's pricing review. Are BT's prices £1,000m higher than they need to be, and, if so, should they not be reduced?

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25 Copthall Avenue, EC2

Fax service

LETTERS may be faxed on 071-873 5938. *They should be clearly typed and not hand-written.* Please set fax machine for fine resolution.

EC will ensure good value in local services

From Mr Stephen Hall-Jones.

Sir, Mr Bryan Gould in his interview (November 11) demonstrates a lamentable ignorance of the impact of Community Directives on compulsory competitive tendering for the delivery of local services. He speaks as though, were Labour to form the next administration, he could leave "contracting-out negotiations as a last resort to be forced on poor performers".

This is the kind of thing that will plague Labour in its new-*found espousal of the* European dream because, of course, local authorities will, thankfully, *not* be able to retain the provision of local services to their own in-house workforce. *Already there are compulsory* procurement procedures for public supply contracts and public works contracts and new rules will come into effect on July 1 1992 for public procurement in water, energy, transport and telecommunications. A draft Directive is already before the Commission to establish public procurement rules affecting the supply of services in maintenance, repair, refuse disposal and consultancy, to name but a few.

Fortunately, the EC has had the good sense to realise that compulsory competitive tendering (CCT) means value for money in the provision of local services and when it is local taxpayers' money which is being spent, that ought to be the first priority. It is nonsense to suggest that CCT means that quality is lost sight of – it is precisely because the buyer can enforce stringent quality controls that quality of local services procured under CCT is so high. Remember what used to happen when local authorities tried to discipline refuse collecting staff for poor performance – wildcat strikes.

I am sure I was not the only *reader to suffer a frisson of* fear at the dreadful prospect of a return to Labour's "jobs-for-the-boys" attitude that reduced the supply of local services to a shambles in the 1970s. Thankfully, Mr Gould's ideas are not, or will not be, permitted under Community legislation and are therefore as repugnant to law as they are to common sense.

Stephen Hall-Jones,
113 Chatsworth Road,
Willesden Green, NW2

FINANCIAL TIMES
Thursday November 14 1991

Serb-Croat hatreds defy peace hopes

Judy Dempsey reports on the prospects for Lord Carrington's latest mission

IN SPITE of all the failed ceasefires, broken promises, and disappointed hopes, Lord Carrington, chairman of the European Community-sponsored peace conference, yesterday returned to a part of Yugoslavia engulfed in civil war.

He returned for two reasons. He believes he has a moral responsibility to keep the negotiating door open. He was also invited by Serbia and Croatia, the two sides involved in one of Europe's most bitter civil wars for many years.

The problem is that Serbia and Croatia each wants a peace-keeping force sent, probably now more likely under United Nations auspices, but for diametrically opposing reasons.

Serbia, under President Slobodan Milosevic, wants troops to be sent to the Serb-inhabited regions of Croatia as a buffer between Croats and Serbs to protect the Serbs.

This is understandable. The destruction inflicted by Serb nationalists, and the Serb-dominated army on Croatia, has created a feeling of such deep revenge among Croats, that if, and when, the fighting ends, there are likely to be recriminations on the local level between Serbs and Croats.

"Croats now hate the Serbs so much, that I cannot see any possibility that the two communities will ever again live side-by-side," a Croat sociologist said.

Tactically, Mr Milosevic wants peace-keeping troops sent to Croatia to consolidate the territorial gains made by Serbia. The Serbian leader is aware he can no longer rely on mobilising young Serbs in Serbia – many of whom have lost sight of the aims of the war – to hold those regions. For Mr Milosevic, his goal has been consistent: carving out a greater Serbia from Croatia and the central republic of Bosnia-Hercegovina.

That is precisely what Croatia wants to prevent, and why it wants peace-keeping troops sent. Beyond the fact that Croatia cannot match the resources of the federal army or Serb paramilitary forces in order to save Dubrovnik, or relieve the besieged eastern city of Vukovar, Mr Franjo Tudjman, its president, wants UN troops deployed so as to regain the third of its territory forcefully seized by Serbia.

Any hint of appeasement by Lord Carrington, that, for example, he would recognise Croatia's independence in return for Croatia ceding a part of its territory for the sake of peace, would lead to the immediate overthrow of the Tudjman government and leave Croatia at the mercy of nationalist forces.

Appeasement would also lead to an escalation of the war. "The Croat population want peace. But not at any price," an EC monitor said. "They want recognition of their independence. And they want their territory back. That is the bottom line," he added.

Hence, the dilemma facing Lord Carrington: politically, he cannot be all things to all factions involved in the fighting. Militarily, as EC diplomats have repeatedly argued, no peace-keeping force can be sent to Yugoslavia until there is a ceasefire which has a chance of securing peace.

The previous 12 unsuccessful ceasefires have taught EC negotiators three lessons: how difficult it is to monitor the implementation of a ceasefire; how both sides, and the federal army, have manipulated and misinterpreted each ceasefire arrangement; and how no ceasefire is possible when the federal army, Croat, and Serb paramilitary units are out of political control.

Above all, the EC's involvement in this crisis has confirmed a fact which western diplomats have so far been unwilling to admit: that the war in Yugoslavia has made politicians on the ground impervious to the calls for a rational negotiated solution.

Over the past two decades, Yugoslavs insisted they were part of Europe; that their culture and civilisation made them feasible partners in an expanded EC. However, the war has exposed a culture deeply entrenched in the Balkan tradition of irrationality and the past.

The war has been ugly. It has been a civil war without boundaries. Journalists have seen Serbs shooting Croats in the back of the head. They have seen truck-loads of mutilated bodies – both Serb and Croat. They have seen federal reservists and paramilitary units ransack hotels, shell architectural jewels, bomb hospitals, and attack refugee centres.

They have also heard Croat and Serb pledge to fight until the past has been redressed.

"This war is about the continuation of the second world war. It is a war between those who support Ante Pavelic, [head of Croatia's Ustasha, fascist government] and supporters of Draza Mihailovic [head of the Cetnik, the Serb fascists]. Lord Carrington is dealing with the past . . .", said a liberal Croat academic.

If western diplomats are seeking any light in this conflict, perhaps such a glimmer comes from the ethnic Albanians in Kosovo, the government of the republic of Macedonia, and the Moslems in Bosnia-Hercegovina, who have steadfastly refused to be drawn into the conflict.

Their respective borders flank Albania, Bulgaria and Greece, and Serbia. Any escalation of the fighting here would spill irretrievably to the rest of the Balkans.

"Maybe the international community should try and contain the conflict from spreading by sending troops into these border areas," an east European diplomat said, adding: "I am no longer certain that any peace-keeping forces can prevent Serbs and Croats from killing each other. The wounds of the past, which communism covered over with a filthy bandage, have been reopened."

THE LEX COLUMN

Russian roulette for ECGD

For once, British banks can rest relatively easy at the prospect of a sovereign debt default. Their direct exposure to the Soviet Union is probably not much over £150m. The Export Credits Guarantee Department – and the capital goods exporters who depend on it – have greater cause to worry. ECGD's exposure is around £1.5bn. A Soviet default would force it to add substantially to bad debt provisions which already exceed £7bn.

That could be a body blow for a deficit-ridden agency already threatened with emasculation through the privatisation of its profitable short-term insurance business and the resignation of Mr Malcolm Stephens, its chief executive. Mr Stephens is widely assumed to be leaving out of frustration at efforts by the UK Treasury to hobble long-term export support. A Soviet default would allow Whitehall to justify replacing him with a hatchet man.

The consequences for companies such as GEC, Trafalgar House, Rolls-Royce and BICC could be greater than appears from the annual couple of billion their foreign customers receive in credit guarantees. This support, which is in any case falling, helps the companies spread their overheads. Its withdrawal would thus harm competitiveness at home as well as abroad. It would be natural if some executives were already privately hoping for a Labour victory to rescue ECGD. There would be even less chance of that, however, after a Soviet default, which could make the cost of export credit look steep even to a big-spending Labour administration.

BT

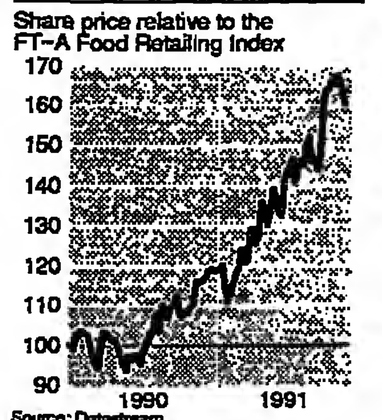
The pathfinder prospectus for the BT secondary sale carried a government health warning of sorts. But the seller is relying on the fact that the market puts a daily price on the various risks facing BT. The intention to offer shares at a discount to that price provides a handy excuse for not spelling out those uncertainties further. Investors should be sceptical just the same.

The industry regulator, pressed into a statement of intent, wrote only that all his options remained open. Until the results of the price review in 1993 are known, BT will continue its struggle to preserve a 92 per cent share of the UK business market. The analogy with the uncertainty surrounding British Gas is striking.

FT-SE Index: 2,546.5 (-29.0)

Morrisons

Share price relative to the FT–A Food Retailing Index



Source: Datastream

It is becoming clear that the BT sale is stretching the logic of privatisation further than ever. The idea that moving the regulatory goal posts means breaking an implicit bargain between the government and investors ought to be familiar by now. But it is new for investors to be asked by the government to buy shares in a company where there is no such bargain at all.

That perhaps explains the peculiarly generous package of incentives. Otherwise, one might conclude that the government has lacked the courage of its convictions. The surprise inclusion of the interim dividend with the shares for sale will cost the taxpayer at least an additional £77m. Some investors will doubtless be tempted to sell the partly-paid shares once that payment is in the bank. After all, the full-year dividend is likely to be somewhat less healthy.

Ensign Trust

After seeing more than half their net assets disappear overboard in three separate write-downs last year, Ensign shareholders might be tempted to raise the white flag. They would be wiser to hang on. At 19p the shares are on a discount to asset value of 50 per cent, well above the average for unquoted trusts. There is also recovery potential in the high level of balance sheet gearing, also at 50 per cent. More to the point, despite the nervousness of the banks about small companies and the continued severity of the recession in the service sector, new managers Ivory & Sime can be assumed to have been thorough in their task of sweeping the stables clean.

The Ensign experience underlines the high risks of venture capital and the dangers of having too much at stake in financial services. Admittedly, this specialist approach was made clear from the outset. The question still arises of how the board managed to let things get so badly out of control. Some changes have been made but arguably not enough. Other issues are the urgent need for tougher valuation guidelines and the weak position of the minority shareholder. The Merchant Navy Officers Pension Fund, which owns 77 per cent of Ensign, can at least consolidate its investment at net asset value, twice what is obtainable in the market.

Morrisons

The mere 4 per cent fall in Morrisons' shares in reaction to a £98m rights issue has an obvious explanation. In the past five years, Morrisons has outperformed the food retailing sector because it has increased sales by a compound 20 per cent and more than trebled its earnings. With the rights issue cash it will have almost zero gearing, so its store expansion programme is secure for a year or two. A forecast 23 per cent dividend increase is icing on the cake.

At the same time, shares in Tesco, Sainsbury and Argyll fell by rather more than the market yesterday, suggesting that recent nervousness about the sector is undiminished. The fact that Morrisons is pursuing the same strategy as its national rivals at a regional level is an unsettling reminder that in the grocery trade, size may not be everything.

Siemens

Siemens' decision not to raise its annual dividend is a better indication of what its management really thinks about the past year than the raw 7 per cent increase in group net income. The DM780m pre-tax loss at Nixdorf was lower than the market expected, but the improvement which started in the second half will not prevent the red ink flowing again in 1991/2.

Siemens may have carved out a strong position at home and abroad in power, telecommunications and transport. But, unlike its French competitor Alcatel-Alsthom, it now looks saddled with computer problems over the medium term. Small wonder the shares have only kept pace with the market this year, despite the continuing prospect of a juicy flow of business from German unification.

German coal producer to cut annual output in deal with government

Ruhrkohle plans 26,000 job losses

By Christopher Parkes in Bonn

RUHRKOHLE, Germany's biggest coal producer, plans capacity cuts involving the loss of 26,000 jobs, as renewed pressure from the European Commission raises the prospect of even more drastic reductions.

Ruhrkohle, which produces about 80 per cent of all west German hard coal, said yesterday that annual output would be reduced from 50,000 tonnes to 37,000 tonnes by the end of the century as part of an industry deal agreed with the government earlier this week.

The workforce, currently about 87,000, would be cut by 26,000, four of its 19 pits would be closed and others merged.

This week's deal settled on a reduction in national output from 70,000 tonnes to 55,000 tonnes and a reduction of 30,000 in the country's 125,000-strong mining payroll by the year 2000.

Mr Hans-Dietrich Genscher, the German foreign minister, yesterday appealed directly to Mr Jacques Delors, the European Commission president, during an EC foreign ministers' meeting, to take "a positive view" of the reductions in output, subsidies and the workforce agreed with mining companies and unions on Monday.

His intervention followed an ominous reminder from Brussels that the deal would not be valid until it was approved by Sir Leon Brittan, the competition commissioner. It is under*stood that the figures and time*scale for the winding-down of coal and coking subsidies agreed in Bonn did not tally with those agreed between the Commission and Mr Jürgen Möllemann, the German economics minister.

More than 26,000 jobs have gone since the last national agreement in 1987, and earlier this year the industry was warned that at least 15,000 more would be lost by the end of 1995.

The Commission is aware that the run-down of the mining industry, concentrated in the states of Saarland and North-Rhine Westphalia, is one of the country's most sensitive issues.

Even so, it is anxious that the pain incurred by closures – already experienced in mem*ber states like the UK* – should be shared evenly around the community.

According to Mr Möllemann's reckoning, every German mining employee is subsidised to the tune of DM76,000 ($47,000) yearly. German hard coal, plentiful but locked in hard-to-work geological structures, last year cost three times as much as steam coal traded on world markets.

At issue are indirect subsidies, gathered in the form of an 8 per cent levy on all electricity bills, to enable power companies to use home-produced fuel.

Other supports include payments for coking coal used by the steel industry.

● Thyssen Stahl, Germany's largest steel producer, is to shed 2,000 of its 30,000 work*force during the financial year* to September 1992. The company blamed weaknesses in the world steel market and falling prices.

Warning on wages and public spending

By Christopher Parkes

THE GERMAN economy is in a critical state, and the country could be pushed into recession if wages and demands on the public purse are not reined in, according to a senior government official.

According to a speech prepared for delivery yesterday by Mr Johann Eekhoff, state secretary in the economics ministry, "all economic indicators are pointing down . . . All experts know that this year we are already living beyond our means. Wage increases are markedly above improvements in productivity."

The speech, due to be given at a meeting of housing companies in Potsdam, painted an overwhelmingly gloomy picture, at odds with all other official statements on prospects.

The aim of price stability would not be reached, unit wage costs had risen this year by more than 5 per cent, and public budget reserves were exhausted, the text said.

It was already obvious in the eastern states that the sum of demands was greater than the economy's ability to deliver. Transfers from the west would make up the deficit, but at the same time they would squeeze resources in the former West Germany.

Pay settlements in the east for next year should be kept below 10 per cent, Mr Eekhoff said, adding that every pay deal over 4 per cent in the west would "endanger both the economy and monetary stability".

He was concerned, in the light of the recent 6.7 per cent increase agreed for Volkswagen workers, and generous deals for construction workers, that a "march into recession" was unavoidable.

The speech conflicts with other recent government forecasts. Although concern has grown about the 10.5 per cent pay settlements demanded by leading trade unions, and the rising cost of financing the reconstruction of east Germany, talk of recession has so far been pointedly avoided.

US plans to accelerate approval of new drugs

By George Graham in Washington

SWEEPING REFORMS of procedures for approving new drugs have been announced by the US administration.

The measures are intended to reduce the time it takes for a pharmaceutical company to bring a drug from the laboratory to the patient, and are expected to speed up the development of treatments for conditions such as Aids.

For most categories of drugs, the US Food and Drug Admin*istration (FDA), the regulatory* agency, aims to privatise part of the drug approval process by asking private sector laboratories or university research departments to review the clinical data submitted by pharmaceutical manufacturers.

This could cut 18 months from the time the FDA takes to approve a new drug. Further time savings from computerisation of data could cut the average time needed to bring a standard drug to market by 28 per cent to seven years.

At the same time, the FDA will create an "accelerated approval" process for drugs which treat life-threatening or very serious diseases, as well as those where no satisfactory alternative therapy exists, such as Aids and cancer.

Fast-track approval could cut the time needed to bring a drug to market to 5½ years.

Dr David Kessler, the FDA commissioner, said the changes would not affect safety standards.

"Post-Thalidomide, the mission of our agency was to keep unsafe drugs off the market. We have learnt in recent years that it's important not only to keep unsafe drugs off the market, but to get safe drugs on to the market," he said.

The FDA reforms have been sponsored by Vice-President Dan Quayle, who as head of the Council on Competitiveness has become the Bush administration's principle apostle of deregulation.

The council cited a study by Tufts University which estimated the reduction in time needed for approval would save $28.5m on the average $231m cost of developing a drug. For accelerated approval, the saving could be $60m.

The US has longer and more thorough drug approval procedures than many other countries. The council said that in certain categories, such as respiratory, cardiovascular and central nervous system drugs, the US took an average of three years longer than the UK to approve new treatments.

Prescribing success, Page 19

Economic shake-up

Continued from Page 1

and the World Bank are in the process of establishing permanent offices, while representatives of the Group of Seven industrial countries return at the weekend for a fresh round of talks on the Soviet hard currency debt, now put at $81bn.

Meanwhile the union Supreme Soviet has been transfixed by discoveries that Gosbank, the central bank, has advanced a Rs30bn credit to the Finance Ministry to cover the USSR deficit – estimated to reach over Rs200bn by the end of the year – without their approval.

At the same time, according to Mr Alexander Orlov, chairman of the Supreme Soviet's Control Commission, secret funds totalling Rs53bn controlled by the Finance Ministry had been discovered. Their existence had been kept from the deputies and, Mr Orlov claimed, from President Mikhail Gorbachev himself.

Japanese trade surplus surges

By Robert Thomson in Tokyo

JAPAN'S trade surplus for October more than doubled from a year earlier to $7.34bn heightening fears of trade friction, particularly with Europe.

The figures, released yesterday, prompted the Ministry of International Trade and Industry (Miti) to call for a cut in interest rates to stimulate domestic demand.

The seasonally adjusted surplus for the month was $6.5bn, down from $7.6bn in September, while the accumulated surplus for the first 10 months reached $63.5bn, 39 per cent higher than the same period last year.

With the annual surplus set to equal the record of $82.7bn in 1986, Miti announced another import promotion campaign, entitled Global Partnership. The campaign seeks to encourage 40 as yet unidentified companies to increase imports, and is intended to show that Tokyo is attempting to reduce the surplus. The plan provides no other specific initiatives.

Mr James Baker, the US secretary of state, urged the Japanese government this week to reduce the surplus, and officials in Tokyo expect Mrs Carla Hills, the US trade representative, will make a similar request during a visit scheduled to begin tomorrow.

Japanese exports for October rose 6.7 per cent to $28.5bn, while imports fell 9.9 per cent to $21.16bn, more than twice the size of the $3.2bn surplus of October last year.

Exports to the US rose 1.5 per cent from a year earlier to $8.59bn, with imports down 1 per cent to $4.7bn, marking the third successive month of increases in the bilateral surplus, which had fallen earlier this year. Exports to the EC rose 6 per cent to $5.1bn, while imports from the EC fell 13.3 per cent to $2.79bn, with sales of luxury products continuing to decline.

Japan's exports to Asia's newly-industrialised economies rose 12.8 per cent to $6bn, and imports from them were down 0.4 per cent to $2.57bn.

The increase in global exports was highlighted by an 18.5 per cent increase in the value of semiconductor exports, a 20.2 per cent rise in video camera exports, and a 21.8 per cent increase in audio equipment exports. Car exports rose 3.6 per cent

Japanese officials pointed to a 29.2 per cent fall in the value of crude oil and mineral fuel imports and to the continuing fall in imports of economic "bubble" related products such as art works and luxury cars.

Mr Noboru Hatakeyama, the Miti vice-minister for international affairs, said Global Partnership may take five to seven years to produce a large change in trade trends, but that the campaign make companies aware of the need to increase imports.

He also suggested that the Bank of Japan should lower official interest rates to stimulate the domestic economy.

Baker addresses Apec, Page 4

WORLDWIDE WEATHER

		°C	°F
Ajaccio	Fg	17	63
Algiers	S	23	73
Amsterdam	R	06	43
Athens	S	19	66
Bahrain	S	26	79
Bangkok	Fg	31	88
Barcelona	F	15	59
Beirut	F	23	73
Belfast	C	3	37
Belgrade	S	15	59
Berlin	F	10	50
Biarritz	R	12	54
Bombay	S	35	95
Bordeaux	F	11	52
Boulogne	F	9	48
Brussels	S	9	48
Budapest	C	5	41
Buenos Aires	F	18	64
Cairo	F	24	75
Cape Town	S	18	64
Caracas			
Casablanca	S	19	66
Chicago	S	2	36
Cologne	F	9	48
Copenhagen	S	7	45
Corfu	S	16	61
Dallas	F	10	50
Dublin	F	3	37
Dubrovnik		–	–
Edinburgh	F	4	39
Faro	F	19	66
Florence	F	16	61
Frankfurt	C	8	46
Geneva	R	11	52
Gibraltar	F	18	64
Glasgow	C	4	39
Helsinki	C	4	39
Hong Kong	S	23	73
Innsbruck	F	13	55
Inverness	F	4	39
Islamabad	F	7	45
Istanbul	F	15	59
Jakarta	R	31	88
Jersey	R	8	46
Johannesburg	C	23	73
Lima	Fg	22	72
Lisbon	F	18	64
London	F	8	46
Los Angeles	S	19	66
Luxembourg	R	5	41
Madeira	S	19	66
Madrid	C	11	52
Majorca	F	19	66
Malaga	F	18	64
Malta	S	20	68
Manchester	F	6	43
Manila	F	31	88
Melbourne	C	15	59
Mexico City	Fg	22	72
Miami	S	20	68
Milan	F	7	45
Montreal	Sn	0	32
Moscow	S	1	34
Munich	F	7	45
Nairobi	R	23	73
Naples	F	16	61
Nassau	F	26	79
New Delhi	S	22	72
New York	F	4	39
Nice	C	16	61
Nicosia	S	21	70
Oporto	F	15	59
Oslo	F	6	43
Paris	F	10	50
Peking	S	13	55
Prague	F	7	45
Reykjavik	F	1	34
Rhodes	S	20	68
Rio de Janeiro	Fg	33	91
Rome	C	16	61
Salzburg	S	15	59
San Francisco	S	12	54
Seoul	S	12	54
Singapore	F	28	82
Stockholm	R	6	43
Strasbourg	R	10	50
Sydney	F	20	68
Taipei	R	22	72
Tangier	F	17	63
Tel Aviv	C	22	72
Tenerife	F	21	70
Tokyo	S	17	63
Toronto	C	2	36
Tunis	F	23	73
Valencia	R	17	63
Venice	F	9	48
Vienna	S	11	52
Warsaw	S	7	45
Washington	S	3	37
Zurich	F	13	55

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
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INSIDE

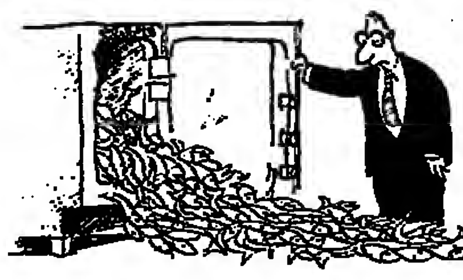
McDonnell Douglas confirms sale talks

Shares in McDonnell Douglas, the US aerospace group, rose sharply for the second successive day yesterday as the company confirmed that a group of outside investors was discussing buying up to 40 per cent of its commercial aircraft business for around $2bn. Page 23

VSEL pleads for frigate order

VSEL Consortium, the UK builder of Trident submarines which is making big cuts in its workforce, said it was critically important for the group to win an order to construct up to three Royal Navy Type 23 frigates. Page 26

Fishmongers in suits



Norway's main banks are to diversify into selling frozen farmed salmon in an attempt to recover loans of up to NKr5bn ($780m) made to the fish farming industry. Page 22

Double blow for FKI

FKI, the electrical engineering group, today announced the resignation of its chief executive, Mr Norman Scoular (left) and a 49 per cent decline in pre-tax profits to £13.5m ($24m). Mr Scoular, who ran the problematic US half of the business, is being replaced by Mr Bob Beeston, managing director of BTR's valve group. Page 27

Electrocomponents falls 18%

Electrocomponents, a leading UK distributor of electronic and electrical components blamed poor trading conditions and high start-up costs in Europe for an 18 per cent fall in pre-tax profits to £20.3m ($36m) at the midway stage. The interim dividend, however, is increased to 1.9p from 1.8p on earnings per share of 6.3p, down from 7.62p. Page 26

A lifetime for the bank

Mr Jorge Yarur, the 72-year-old owner and president of Banco de Credito e Inversiones, Chile's fifth-largest bank, died on the day he finished paying his bank's $140m debt with the Central Bank of Chile. Other Chilean banks have made fewer sacrifices — 10 still carry debts to the central bank totalling about $3bn. Page 24

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				**Rises**			
Linde	778	+	9	Navigation Mixt	1281	+	21
Linotype-Hell	364	+	12	Total B	1060	+	27
Metallgeslschft	415	+	9	**Falls**			
Falls				Arjomari Prioux	2190	−	69
Altana Ind	632	−	15	BIC	668	−	30
Goldschmidt TH	745	−	8	Credit National	1059	−	36
Rheinmetall St	300	−	8	Imm de France	880	−	20

NEW YORK ($)				TOKYO (Yen)			
Rises				**Rises**			
McDonnell Doug	79¼	+	2½	Kanzaki Paper	622	+	50
Falls				Nihon Nohyaku	1900	+	230
Goodyear	49½	−	1	[illegible] House	750	+	50
IDB Comms	14¾	−	⅜	Toyo Sanso	1160	+	140
Immune Response	45	−	16¾	**Falls**			
Kimberley-Clark	94¼	−	6⅛	Ikegami Tsushin	1250	−	160
Nike	59⅞	−	1⅜	Yokogawa Bridge	1800	−	170

New York prices at 12.30pm.

LONDON (Pence)							
Rises				Burton	40	−	2½
Apollo Metals	138	+	6	Chrysalis	93	−	11
Ashtead	194	+	13	Electrocomp'ts	244	−	12
Bluebird Toys	38	+	3	FKI	52	−	6½
Jessups	53	+	5	Gold Greenlees	196	−	16
Stanley	330	+	13	Morrison (Wm)	267	−	12
Sun Life	1115	+	22	Nat Home Lns	7½	−	2
VSEL	465	+	26	Ratners	49	−	8
Falls				Reuters	920	−	46
ADT	385	−	16	Royal Ins	291	−	18
BBA	136	−	6	Thorn EMI	809	−	18
Brit Aerospace	340	−	11	Waddington (J)	197	−	8
Burmah	535	−	15				

Buoyant Siemens shrugs off losses at Nixdorf

By Andrew Fisher in Frankfurt

SIEMENS, the German electrical and electronics group, yesterday announced a 7 per cent rise in net profits to DM1.8bn ($1.1bn) for the financial year to September 30, 1991, in spite of a continued heavy loss at its newly acquired Nixdorf operation.

The Munich-based group said that Siemens Nixdorf Informationssysteme (SNI), formed by putting together its own computer operations with those of the lossmaking Nixdorf, made a net loss of DM780m; no comparative figure was available. The loss was caused by difficulties in the industry and restructuring and merger costs.

Since Siemens bought Nixdorf, formerly one of Germany's most successful corporate high-flyers, competition in the world computer industry has become tougher. However, SNI managed to keep its turnover at DM12.1bn, a fall of 2 per cent, and to record a 9 per cent rise to DM13bn in new orders.

Its domestic order intake rose by 16 per cent to DM8.3bn, with a 2 per cent decline abroad to DM4.7bn. Siemens recently announced plans to pay nearly DM2bn for the remaining minority stake in Nixdorf.

Siemens said losses at SNI and the semiconductor division, where it recently announced a joint venture with IBM of the US, were more than offset by improved earnings from the group's other sectors and from its large holdings of securities. The company is holding its dividend at DM13.

The improved group profits follow a strong second half after Mr Karlheinz Kaske, chief executive, warned initially that profits could be flat.

The group booked a powerful 21 per cent increase in new orders to DM82bn, of which 9 percentage points reflected newly acquired companies such as Nixdorf, parts of Plessey of the UK, and Duewag, the German rail equipment concern.

Turnover was 16 per cent higher at DM73bn, with the acquisitions also accounting for 9 per cent of growth. Siemens has already said that start-up losses in east Germany would be around DM100m in 1990-91.

With a strong impetus from German unification, new domestic orders were 29 per cent higher at nearly DM37bn, with foreign business up by 15 per cent to DM45bn.

The most impressive order growth was shown by transport systems, with a 71 per cent rise.

BT faces two investigations for anti-competitive practices

By Hugo Dixon and Roland Rudd in London

THE UK Office of Fair Trading is considering investigating BT's Yellow Pages business for anti-competitive practices, according to the prospectus for the government's £6bn ($10.6bn) sale published yesterday.

The OFT said if it took the matter further it would refer the £290m business to the Monopolies and Mergers Commission.

Regulatory pressure on BT was heightened with the added disclosure that Oftel, the industry regulator, is investigating whether BT is unfairly cross-subsidising its £1.35bn business of supplying customers with telecommunications equipment.

Neither the Yellow Pages directory business nor the equipment supply business come under Oftel's current price controls. BT believes neither action would be likely to have a material effect on its profitability.

The new regulatory action comes on top of existing concern about future regulation of the company's prices and profits which were not dispelled by the prospectus.

News of the possible investigations came as Mr Norman Lamont, chancellor, said that up to two thirds of the £6bn sale could go to small investors if demand was particularly strong.

Around 5m people have registered for shares, with 75 per cent deciding to go through a share shop.

Mr Gordon Brown, Labour's trade and industry spokesman, claimed the share sale was costing the British public £1bn. He said sweeteners to investors were costing £300m, City and marketing fees came to £100m, and he attributed a further £600m to the recent decline in the company share price.

However, the Treasury said the sale had cost the public less than any other privatisation in proportion to the amount of money being raised.

BT has received a request from the OFT for information about its Yellow Pages business. The only competition to the Yellow Pages comes from Thomson's business directory.

The OFT has already investigated Yellow Pages once, in 1984. At the time it gave it a clean bill of health.

According to Warburg Securities, revenue from BT's Yellow Pages increased fivefold from 1981 to 1989 and last year rose to £290m. Its operating margins are between 35 per cent and 40 per cent. The business has a negative working capital because advertisers pay in advance, and BT pays its expenses in arrears.

Oftel said it may conclude its investigation into BT's equipment supply business by the end of the year.

The prospectus also revealed that BT's capital expenditure is expected to be slightly below 1991's £2.73bn. This in turn was a fall from £3.12bn in 1989-90.

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Hugo Dixon and **Roland Rudd** look at the potential for risk and reward

Prospectus reveals much uncertainty

Photo: Trevor Humphries

Iain Vallance (right), BT's chairman, with UK chancellor Norman Lamont

Investors had hoped that yesterday's prospectus for the UK government's £6bn ($10.68bn) BT share sale would reduce the uncertainty over future regulation of the company's prices and profits.

Yet not only did it fail to answer the question of how Oftel, the industry regulator, would act in next year's BT price review. It also raised a series of regulatory concerns by revealing that the company is being investigated for anti-competitive practices in the supply of telephone equipment and over its Yellow Pages business.

The government has made clear that investing in shares involves risks and rewards. With pre-tax profits of £3.07bn in the financial year to March 1991, BT clearly has the potential to provide shareholders with substantial rewards. But the prospectus also highlights the risks.

Sir Bryan Carsberg, Oftel's director general, was eventually persuaded by the government's advisers to sign a letter at the end of the prospectus's section on regulation. But it had the reverse effect to that intended.

Investors have been concerned they might buy shares only to find a much tighter regulatory regime following next year's price review. Sir Bryan described the method used in the company's previous price review but went on to explain he would not necessarily use the same method next year.

His final sentence said: "It should not be assumed that I shall necessarily be employing the methodology which I employed for the 1988-89 price reviews or that I shall reach the same or similar conclusions on similar issues."

Mr Norman Lamont, UK chancellor, said Sir Bryan had made the future regulatory framework "crystal clear". The problem for investors is that Sir Bryan, according to Oftel, had made it clear "he is leaving his options very widely open". Oftel said that nothing in the statement was "intended to rule out anything".

Mr Lamont said the government could not "fetter" Sir Bryan because he was an independent regulator. Mr Francis Maude, financial secretary, interrupted to add: "Sir Bryan cannot fetter his own discretion".

Institutional investors yesterday complained that Sir Bryan's statement has made matters worse. One said: "Sir Bryan has confirmed what we feared; the regulatory regime could change for the worse after the sale." Another said: "I do not think we will get involved in the sale." Such threats may be idle, although institutions may bid for shares at a low price.

The prospectus also revealed three new concerns.

● The Office of Fair Trading has asked BT for information about its Yellow Pages business. The OFT has indicated it is considering investigating the business for anti-competitive practices.

● Oftel is investigating whether BT is unfairly cross-subsidising its £1.35bn business of supplying customers with telecommunications equipment. Sir Bryan believes a cross-subsidy exists and he is "minded to direct BT to take certain steps" to remedy the situation.

● BT will eventually lose exclusive control of all the radio spectrum it currently manages. The company uses radio spectrum throughout its network and believes that the loss of control will reduce the speed and flexibility with which it provides new radio links.

Large investors will be penalised by being allocated fewer shares than they want in the offer if they are judged to have "manipulated" the company's share price before the sale. Lord Cairns, chief executive of S.G. Warburg, the government's lead adviser, said that selling large amount of shares or getting up to "dirty work" in the options market would count as manipulation.

Some foreign investors, from continental Europe, may also be worried at the requirement to give their names when applying for shares. This is designed to help spot manipulation but is unusual practice in some foreign markets.

There are also lingering political uncertainties heightened by next year's UK general election. The opposition Labour Party has made clear it will not renationalise the company but it will toughen the regulatory framework. The minority Liberal Democrats yesterday spelt out plans to break up BT to promote competition and cut excess profits.

A final concern for investors is the cautious tone on BT's prospects in the document. The last sentence in the prospectus section said: "With growing competition and regulatory pressure, BT's future is inevitably more uncertain." The equivalent remarks in the original privatisation prospectus of 1984 were "there are good prospects for the future development of the business".

Mr Laurence Heyworth, a stockbroker at Robert Fleming Securities, said: "The hype surrounding the issue is still tending to obscure the fact that BT is not a wonder company or a wonder stock. BT is simply a more than somewhat-inefficient telephone company."

Wagons-Lits shareholders challenge Accor bid in court

By Andrew Hill in Brussels

DISGRUNTLED shareholders in Wagons-Lits are challenging in the Brussels commercial court the FFr2.2bn ($390m) bid for the Franco-Belgian travel company by Accor, the French hotel group.

Accor claimed last week it had won sufficient acceptances from institutional investors to give it control of Wagons-Lits. But the Brussels court could force the French company to unwind the takeover.

Sodexho, the French catering group which owns 5 per cent of Wagons-Lits, and Belgian and British shareholders accounting for between 2 per cent and 3 per cent of the company, have begun three separate legal actions against Accor.

Sodexho's complaint is particularly embarrassing for Mr Paul Dubrule, Accor's joint chairman, who said last week that the catering group had finally agreed to accept the offer.

The minority shareholders claim that the BFr8,650-a-share offer is too low, and that effective control of Wagons-Lits actually changed hands in June 1990 when Accor and Société Générale de Belgique, the Belgian holding company bought into the company at BFr12,500 a share.

That purchase put pressure on Sodexho to reduce its 20 per cent stake in the Franco-Belgian group earlier this year, and edged out Sodexho's chairman Mr Pierre Bellon, who was chief operating officer of Wagons-Lits.

Mr Bellon, said in the French and Belgian financial press yesterday that Accor's offer document had lifted the "smoke-screens" hiding the decision-making process at Wagons-Lits since La Générale and Accor bought their 27 per cent stake.

A spokeswoman for Accor — which has been sparring with Sodexho since last year — said she did not think the Sodexho complaint was well-founded.

Wagons-Lits's share price, dormant until yesterday, rose BFr210 to BFr8,860 in Brussels.

Sodexho was backed up yesterday by minority shareholders, including pension and investment funds managed by almost all Belgium's largest banks and Norwich Union, the UK insurance company.

They have started summary proceedings to force further information out of Accor, and the court should reach a decision within two weeks. Deminor, which represents other minority shareholders, has also begun legal action against Accor.

Rhône-Poulenc advances 7.4%

By Alice Rawsthorn in Paris

RHONE-POULENC, the state-owned French chemicals group which earlier this week announced plans to restructure its UK operations, saw pre-tax profits increase by 7.4 per cent from FFr3.31bn to FFr3.55bn ($630m) in the first three quarters of the year on sales which rose 7.5 per cent from FFr58.48bn to FFr62.84bn.

The group's operating profits rose by 8.1 per cent to FFr4.89bn after provisions for restructuring of FFr303m, down from FFr227m.

However net profits fell by 12.5 per cent to FFr1.72bn in the nine months to September 30.

Rhône-Poulenc's performance improved during the course of the first three quarters.

The rate of both sales and profits growth was higher in the third quarter than the whole period.

Rhône-Poulenc said it expected this improvement to continue in *the final quarter*, when its results should be ahead of the same period of the previous year.

In the three months to September 30, sales rose by 11.2 per cent to FFr20.6bn and operating profits by 39 per cent to FFr1.5bn.

Rhône-Poulenc produced net profits of FFr731m, compared with a loss of FFr208m in the same period of 1990.

This increase in profits was fuelled by a strong performance from the group's pharmaceutical interests, in particular from Rhône-Poulenc Rorer, the US drug producer that the French group took control of last year.

In contrast, Rhône-Poulenc's chemical and minerals interests has performed poorly reflecting the general economic slowdown.

Its fibre and polymer division also suffered from the economic environment but remained stable.

Speciality chemicals made progress and the agricultural products division produced an improved result on the third quarter of 1990. Similarly Rhodia in Brazil has returned to profit.

Rhône-Poulenc said it anticipated that these broad trends would continue in the final quarter, when another strong performance from pharmaceuticals ought to compensate for the ongoing difficulties of chemicals and fibres.

This pattern should be accentuated by the fact that the pharmaceuticals division traditionally makes a large proportion of its profits in the fourth quarter.

INTERNATIONAL COMPANIES AND FINANCE

Lower forecasts hit Ratners shares

By John Thornhill in London

SHARES in Ratners Group, the UK jewellery retailer, were affected again as analysts continued to downgrade their profits forecasts.

Nervousness over the group was also fuelled in the City of London by the resignation of Mr Gerald Ratner, chairman and chief executive, as a non-executive director of Norweb, the electricity company, "because of pressures of his other work".

Ratners' shares fell a further 8p to 49p yesterday after heavy falls in recent days. Two months ago the shares stood at more than 100p.

Yesterday, Morgan Stanley, the US securities house, downgraded its forecast for this year to £45m ($79.8m) Earlier in the week, Nomura cut its forecast from £65m to £40m for the current year and from £65m to £30m for next year.

Ratners is known to have been looking for six months to split the roles of chairman and chief executive but has had difficulty finding a suitable candidate to join the board.

In past years, the company's shares have often been affected in the run-up to the Christmas trading period as City nerves have frayed over its prospects during the vital few weeks that account for about 90 per cent of its profit. The situation has been exacerbated this year by the continuing recession in the US after early indications that the economy may be turning round.

Ratners is heavily exposed to the US market after the acquisition of the Sterling and Kay jewellery chains.

Doubts have also been raised about the strength of the recovery in the UK market which has been experiencing some glimmers of revival. Ratners accounts for one-third of the UK jewellery market.

The company passed the month of its peak borrowings in October. It has borrowing facilities of £500m and seems unlikely to have come close to this limit.

However, Ratners has an outstanding £44m Eurobond issue due next October. It has also suffered from several recent flops for its auction market preferred stock (AMPS) in the US which has increased its borrowing costs.

Mr John Smith, retailing analyst at UBS Phillips & Drew, said: "Some form of refinancing is a distinct possibility in the near future. But the rumour-mongers have now got hold of Ratners and the share price is moving irrationally."

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Ciga Hotels may sell assets to cut debt

By Haig Simonian in Milan

CIGA Hotels, the quoted international hotel chain controlled by the Aga Khan, yesterday said it was considering asset sales, leaseback arrangements and other financial measures to cut group debt, which has risen to around L900bn ($734.7m) against shareholders' funds of L370bn.

Ciga owns some of the most famous and luxurious hotels in Italy, and has in recent years expanded its activities in a number of European countries. Among its best known foreign hotels are the Maurice in Paris, the Palace in Madrid and the Imperial in Vienna.

The need for restructuring comes despite a successful summer season, in which Ciga reached record turnover at many of its luxury vacation hotels on Sardinia's Costa Smeralda.

Nevertheless, Mr Luigi Antonio Bianchi, chairman, warned that Ciga would report a loss for this year. At the interim stage, Ciga reported a group loss of L86.1bn.

The company has been hit by the costs of an ambitious acquisition programme abroad and heavy expenditure on modernisation at many of its Italian properties, while the Gulf war depressed occupancy levels early this year. Moreover, attempts to recapitalise the group have suffered through the postponement of a planned rights issue last year.

The measures being considered should halve group debt by the end of next year and see further reductions during 1993. Asset sales would realise L120-150bn, while sale and leaseback deals, with the option to reacquire, would raise a further L200 to L300bn.

Any sales of properties would probably be outside Italy, while Ciga would also be looking for partners for some of its existing domestic activities.

● Old Court Italian Ventures, the $30m Italian venture capital fund set up two years ago by Rothschilds, the UK merchant bank, yesterday announced its second deal with the purchase of a 50 per cent stake in Mon Bebé, Italy's second-biggest maker of prams and pushchairs. The cost of the deal was not disclosed.

Sulzer warns of profits drop

By Ian Rodger in Zurich

SULZER BROTHERS, the Swiss engineering group, warned yesterday that 1991 consolidated net earnings would be "considerably lower" than the record SFr155m ($106.9m) earned last year, due to a severe slump in textile machinery orders.

The group reported that its overall order intake in the first nine months of 1991 reached SFr4.7bn, only slightly lower than the SFr4.8bn recorded at the same point last year.

Some of its businesses were doing very well, especially the medical division, which produces pacemakers and artificial hip joints and arteries. The locomotive division had enough orders to keep it busy for 30 months.

However, this would not be enough to offset expected losses in the Rüti textile machinery division, said the finance director, Mr Erich Müller. "If Rüti would only break even, we would have record results this year," he said.

Mr Müller said the directors had not yet decided whether to reduce the annual dividends. Last year, Sulzer raised the payout on registered shares with par value of SFr1,000 from SFr130 to SFr150. On participation certificates of SFr100 par value, the payout was lifted from SFr13 to SFr15.

He said that although the group had adopted a policy eight years ago of having dividends follow profit performance, the board would have to decide whether to maintain the dividend in anticipation of a recovery in profit next year or reduce it in line with earnings.

Another factor was the possibility that a large extraordinary gain on sales of land near its headquarters in Winterthur would be recorded in the current year.

Mr Fritz Fahrni, president, forecast an improvement in group profits in 1992 following restructuring and management changes in the textile machinery division.

Mr Fahrni said he did not expect a disposal into stable hands of the 20 per cent block of Sulzer shares held by Omni Holding, now in liquidation, by the end of the year.

Sulzer said earlier this year it might welcome an "industrial partner" to take up the stake.

Linde expects 12% sales rise

By David Waller in Frankfurt

LINDE, the Wiesbaden fridges, fork-lift trucks, gas and engineering group, is expecting sales to rise 12 per cent to about DM6.8bn ($4.16bn) in the current year, up from DM6.1bn in 1990.

Pre-tax profits will not grow at the same rate. According to Mr Hans Meinhardt, chief executive, the result for the year will be satisfactory, but at the nine-month stage, pre-tax profits were up only slightly over the previous year. Last year, the group's pre-tax profits rose by 9.5 per cent to DM479m on turnover up 11 per cent.

Speaking at a briefing in Dresden earlier this week, Mr Meinhardt said sales in eastern Germany would be DM550m this year, but the eastern businesses were unlikely to do better than break even. Efficiency was not as high as in western Germany, but this was compensated for by lower labour costs.

Write-offs – primarily associated with the development of the gas business in the east and elsewhere – would rise about DM100m to about DM430m, constraining the growth in profits.

Mr Meinhardt said there was a "good chance" that the dividend for the current year would be preserved at DM15 per share, the same as paid in 1990, reflecting confidence in the outlook for the group. Capital investment would amount to DM700m in the current year, up from DM503m in 1990.

In the nine months to the end of September, sales rose 11.4 per cent to DM4.59bn and order intake climbed 6.2 per cent to DM5bn.

Excluding orders for industrial plant, which jumped 60 per cent in the previous year, the rise in orders for the first nine months was about 12 per cent.

Land Securities advances 14% half-way

By Vanessa Houlder, Property Correspondent

LAND Securities, the largest and most robust property company in the UK, yesterday announced a 14 per cent rise in pre-tax profits from £141.7m to £161m ($286.6m) for the six months to September 30.

Mr Peter Hunt, chairman, warned that growth had slowed, so the second-half profits were likely to be much the same as the first. He described the property market and economic conditions as "extremely difficult".

He reported that the number of enquiries in central London, had picked up from the beginning of the year, although he was non-committal about prospects of recovery.

"The directors believe that improved prospects for the UK economy should, in due course, restore stability and ultimately growth to the property market, although recovery will be slow in sectors where current over-supply has to be absorbed," he said.

The results were in line with predictions, and the share price edged down 1p to 505p.

Land Securities is an established investment company with a relatively small exposure to empty developments. Its low gearing, strong revenue account and conservative management style has helped it outperform its sector during the recession, although some analysts feel these traits will hold the shares back as the market recovers.

In the half-year, net rental income rose from £152.5m to £172.6m.

Banks throw rescue line to Norway's salmon farms

By Karen Fossli in Oslo

NORWAY'S leading commercial banks are being forced to diversify into selling frozen salmon in an attempt to recover loans of up to NKr5bn ($780m) made to the beleaguered fish farming industry.

Under the terms of an emergency package, announced after an all-night meeting yesterday, the banks will take over day-to-day sales operations of the industry, which has amassed a 32,000-tonne mountain of frozen salmon.

Norway is by far the world's largest salmon producer and, during the past three years, has become the victim of its own over-production, which has has caused a world glut.

A state-funded company to be administered by 10 banks, including the top three – which are themselves facing a financial crisis – has been established to dispose of the salmon mountain.

The frozen stocks represent about one-fifth of Norway's annual salmon production. Some producers have allegedly been selling the product at below world market prices in the European Community and in the US, their two biggest markets.

The US was subsequently forced to levy heavy countervelling duties on the imports of Norway's farmed salmon, and the EC last week implemented minimum price conditions. Because of weak markets, the salmon farmers have not been paid by the industry's sales association, which buys their salmon to sell in world markets, and therefore have been unable to service their bank debts.

This has forced the state to intervene and strike a deal with the banks. The banks, however, are forbidden to sell the salmon in the EC. They may be forced to sell at well below the NKr30 per kilogram market price, to east Europe and possibly the Soviet Union.

A minimum of 50 per cent of the proceeds of the salmon sales will be handed over to the salmon farmers by the banks on an individual client basis. This will allow the salmon farmers in return to partly service their debt to the banks. The banks have also agreed to forego NKr280m of the debt, and are to front an additional NKr55m to help bail them out of their crisis.

The irony of the NKr735m bail-out is that the salmon farmers are partly to blame for the current financial crisis of Norway's banks, which funded the rapid expansion of the industry in the 1980s.

The state, which has effectively administered Norway's banks since providing a NKr11.5bn rescue package, is not expected to recoup the NKr400m non-interest bearing loan fronted to establish the bank's new salmon enterprise.

The state will also lose some NKr60m on VAT tax, which it stood to earn if the 32,000 tonnes of salmon had been sold.

Call to alter Swiss practices on foreign shareholdings

By William Dullforce in Geneva

RAPID and radical changes in Swiss companies' practices towards foreign shareholders are called for in a study published by Bank Julius Baer.

Abolition of Lex Friedrich, the Swiss property law which limits the acquisition of land by foreigners, has become a matter of urgency for companies listed on the Swiss stock exchange, says the Zurich investment bank in a two-part publication "Shareholder Restrictions in Switzerland".

The law serves as a pretext for *vinkulierung*, the word used to denote the restrictions imposed by Swiss companies on the transferability of their registered shares.

The "reduction to a minimum" of the inconsistencies in the rules covering the registered shares is a prerequisite for Swiss companies' ability to raise sufficient equity in the long term, the bank says. The reduction was also necessary, if Switzerland was to remain competitive as a financial centre.

The study, written by Mr Hans Kaufmann, head of Swiss company research, and Mr Beat Kunz, an analyst, found that, of the 112 companies regularly analysed by the bank, 64 restricted the transferability of their shares. Of these, 35 per cent did not even accept as shareholders private foreign investors domiciled in Switzerland and 63 per cent refused to have foreign institutions as shareholders.

Although the nationality of the investor is not the only criterion used for limiting the entry of shareholders in their stock ledgers, *vinkulierung* is mainly used to discriminate against foreign investors.

Given the almost infinite variety of *vinkulierung* regulations practised, "one wonders why foreign investors ever buy Swiss shares", the bank says. Many of its foreign clients avoided Swiss shares because they would not waste time finding out from each company whether they would be acceptable as shareholders.

A vicious circle sets in: slack demand for Swiss shares means modest price advances or even falling prices; low stock prices provoke takeover bids which call for more defensive measures; lower prices mean high refinancing costs which inhibit growth; low growth results in lower stock market valuation.

The role of Nestlé, the company with the biggest stock market capitalisation, is highlighted. In 1959, the group was in the vanguard of *vinkulierung* when it increased its capital threefold by offering shareholders two new registered shares for every bearer share held.

In 1988, recognising that with a worldwide turnover equivalent to about 15 per cent of Swiss Gross Domestic Product it could no longer depend mainly on Swiss sources for new equity, Nestlé shook the Swiss business establishment by opening its stock register to foreigners. But it imposed a 3 per cent limit of registered share capital for each investor.

Swiss company law recognises three categories of shares: registered, bearer and dividend right certificates. Participation certificates will be recognised in the revision of the law now passing through parliament. *Vinkulierung* has been practised for 110 years but was given greater scope in the 1936 revision of the company law designed to protect Swiss companies from Nazi German participation.

Fears of the Swiss homeland being swamped by foreigners led to the passing in 1983 of the Lex Friedrich which limits the acquisition of land by "persons abroad", a term which covers legal entities domiciled in Switzerland but controlled by persons abroad. Many of the companies examined by the bank cited Lex Friedrich as the principal justification for their *vinkulierung* practices.

The Federal Council (government) has said that revision of Lex Friedrich is on its agenda. The bank says it would probably have to be abolished under the recent agreement to establish a European Economic Area between the European Community and the European Free Trade Association, to which Switzerland belongs.

Most companies, however, told the bank that, even without the law, they would not be prepared to alter their practices.

The revised company law in parliament will leave three remaining grounds on which a company may refuse to enter a purchaser on its stock ledger:

● When a percentage per stock holder stipulated by the company has been exceeded;

● When a false declaration has been made or the purchase has been made on behalf of a third party;

● When federal law is violated.

Because the transitional period before the introduction of the revised law could last up to five years, current practices are likely to continue for some time. The bank's study includes a guide to the practices of 64 Swiss companies.

FAZ to build printing plant in east Germany

By Leslie Colitt in Potsdam

FRANKFURTER Allgemeine Zeitung (FAZ), one of Germany's leading quality newspapers, is to invest DM150m ($92.5m) in a new printing plant for its recently-acquired Märkische Allgemeine newspaper in Potsdam, east Germany.

The investment, which is one of the largest to date in Potsdam, will include machinery to print about 100,000 FAZs for distribution in east and north Germany.

The newspaper, with a total circulation of nearly 400,000, has been forced to deliver its early Frankfurt edition for distribution the following morning in Berlin and surrounding Brandenburg state.

The main German quality newspapers are competing intensely for readership in greater Berlin before the city becomes the functioning capital of Germany.

Mr Reinhard Mundhenke, managing director of FAZ, said the printing of the newspaper in Potsdam, just outside Berlin, would serve to improve distribution of the paper in eastern Europe.

Märkische Allgemeine, with a circulation of 250,000, is a former Communist Party newspaper. It is the largest of five east German newspapers bought by FAZ. The Potsdam newspaper's present staff of nearly 800 would be maintained, Mr Mundhenke said.

Sales of quality newspapers in east Germany have been disappointing compared with the boom in the popular tabloids. Mr Mundhenke said that although the Märkische Allgemeine was going through a "dry stretch", it was expected to produce profits in two years.

"It will take a while before east Germans take to reading the serious press," he said.

FAZ's other east German acquisitions include Neue Zeit, the former Christian Democratic Party newspaper, with a circulation of nearly 50,000. This figure, however, includes some 35,000 readers of the defunct Tribüne newspaper, whose subscription list was recently bought by the FAZ.

Swedish oil group buys Nelson stake

By Deborah Hargreaves in London

SVENSKA Petroleum, Sweden's largest oil exploration company, yesterday agreed to buy a small stake in the Nelson oilfield in the North Sea, as part of the company's plans to expand in the UK.

Svenska and Neste Oy, the Finnish oil company, bought British Petroleum's 6.5 per cent share in the Nelson field for £48.1m ($85.1).

This will give each company a 3.25 per cent stake in the field, which starts up in 1994 and is estimated to contain 450m barrels of oil.

Svenska has a couple of exploration licences in the UK, but the Nelson acquisition is its first interest in a major development project. The company is looking to extend its involvement in the North Sea.

Svenska, a wholly-owned subsidiary of Sweden's refining and marketing company, OK Petroleum, also agreed a joint operating arrangement with the government of Lithuania for three small onshore oilfields.

INTERNATIONAL COMPANIES AND FINANCE

Asian investors may take $2bn stake in McDonnell

By Martin Dickson in New York

SHARES in McDonnell Douglas, the US aerospace group, rose sharply for the second successive day yesterday as the company confirmed that a group of outside investors – believed to be Asian – was discussing buying up to 40 per cent of its commercial aircraft business for up to $2bn.

McDonnell Douglas, which is financially stretched, has long made clear it was looking for outside investment to help fund development of the MD-12, a long-range, wide-bodied jet which would compete with the Boeing 747.

But this is the first time it has quantified the size of the possible investment, which is larger than some analysts had expected.

Its shares rose $2⅞ in morning trading on the New York Stock Exchange to stand at $79⅞ at lunchtime. On Tuesday, the shares rose $4¾ after Judith Bollinger, an analyst at Goldman Sachs, first quoted the $2bn figure.

The company statement confirming the figure stressed that no understanding had yet been reached with the unidentified group of "third party investors" and no definitive agreement was imminent.

The company is also seeking manufacturing sub-contractors willing to share the risk of developing the new aircraft.

Its efforts to forge strategic alliances have focused mainly on Asia/Pacific, with its competitive labour costs. McDonnell Douglas hopes the Pacific Rim will prove a strong market for the MD-12. The discussions are believed to have included Japan, South Korea, Taiwan, Singapore and Indonesia.

A partnership with Asian companies would also bolster the company's position in its battle for commercial aircraft market share against Boeing, the world industry leader, and Europe's Airbus Industrie.

The MD-12 is expected to cost some $4bn to develop, but McDonnell can ill-afford to bear this alone, having geared up its balance sheet through the $4bn development costs of the MD-11, a wide-bodied jet which has been in service for a year.

The group's only other commercial aircraft currently in production is the medium-range MD-80.

McDonnell announced last weekend it was splitting its transport aircraft operations, based at Long Beach, California, into separate operating units – commercial and military – presumably to pave the way for an equity investment in the commercial side.

Alcoa, Alusuisse in joint venture

By Kenneth Gooding, Mining Correspondent

ALUMINUM COMPANY of America (Alcoa) and Alusuisse-Lonza hope to set up a joint company which will invest SFr300m ($210m) over the next few years to modernise and expand most of Alusuisse's aluminium operations in Switzerland.

The companies said yesterday the aim was to expand their position in aluminium flat-rolled products for the European automotive, industrial and aerospace markets which are forecast to have high growth rates during the next decade.

If final agreement is reached, the joint company, in which Alcoa will have a 60 per cent stake, will take over Alusuisse's smelter, ingot casting operations and rolling facilities in the Canton of Valais.

These produce high-technology products with high added-value such as "superplastic" aluminium sheet for cars and a thick hard-alloy plate used in machinery manufacture.

Alusuisse said the partners were drawn together because both had the same philosophy – they wanted to remove themselves as far as possible from the commodity end of the aluminium market.

The joint venture would enable the range of high-tech rolled products to be broadened.

It could take several months for final agreement to be reached because the companies will also discuss "opportunities in other markets of mutual interest".

Battle for computer sales moves to Japan

Steven Butler and Louise Kehoe report on the charge to establish computer standards

PERSONAL computer manufacturers, faced with declining sales in Europe and the US, are engaging in an intense battle to expand sales in Japan, which is now the fastest-growing segment of the personal computer market.

International Business Machines (IBM) is leading the charge with efforts to establish personal computer standards in Japan to compete with NEC, the established Japanese market leader.

IBM has pulled together a welter of computer-makers, including famous names such as Toshiba, Hitachi, Sharp, and Sony, which have agreed to support a standard personal computer operating system.

A derivative of MS-DOS – the PC operating system that dominates the US and European markets – DOS J4.0/V, is designed to enable Japanese personal computer users to run standard IBM PC software as well as specialised Japanese-language applications, thus opening up thousands of software possibilities for Japanese users.

The appearance of a wide range of machines able to run the same software programmes promises a personal computer revolution in Japan, where the use of desktop computers in crowded offices has been slow to develop.

Prices are tumbling, choices are broadening, and for the first time the grip of NEC, which dominates Japan's personal computer market with over 50 per cent of sales, looks seriously under threat. Mr Masahiro Hataguchi, senior manager at Toshiba's PC marketing department, says: "Within three years, NEC's market share will begin to go down."

For years, the market has been held back by a confusing menu of incompatible Japanese-language operating systems sold by different manufacturers. This meant the computers could not be run with a common body of software and there could be no communication between them. Although standard IBM and Apple machines can run programmes handling Japanese script, efficient Japanese-language processing requires a different computer design, or architecture.

The multiplicity of machines and systems raised manufacturing costs by preventing standardisation. The labour intensive process of writing computer software also had to be repeated separately for each system, so raising costs.

As a result of these and other factors, Japan's PC market has lagged far behind the US and Europe. In spite of Japan's image as a technology leader, most Japanese offices have remained low-tech and the country never joined the worldwide personal computer revolution.

This is expected to change quickly in the future with the Japanese PC market expected to be one of the fastest growing in the world. Companies are expecting sustained growth of 10 to 15 per cent a year.

IBM and Toshiba, which has 18 per cent share of the market, will be joined by smaller companies, including Sharp, Mitsubishi, Hitachi, Oki, Sony, Sanyo and Canon – all offering compatible machines. By the end of September, more than 1,000 applications were available for the standard operating systems.

Projected Japanese 1991 personal computer sales*

Company	Sales
NEC	1,650,000
Fujitsu	600,000
Toshiba	350,000
IBM Japan	280,000
Seiko-Epson	270,000
Sharp	130,000
Mitsubishi Electric	110,000
Others	48,000
Total	3,438,000

* By unit from top makers, including exports

Mr Yoshio Tanaka, manager of IBM Japan's consortium operations, says that some well-known US software companies in the past simply gave up when faced with the task of adapting their products to so many different systems. Now many programs written for IBM PCs can be adapted for Japanese-language usage with only minor changes in command language.

Mr Yoshi Takayama, associate senior vice-president at NEC, has identified four market areas that are ripe for growth. At Japan's 10,000 largest companies, there is only one computer for each six employees, a figure NEC hopes will rise to one computer per employee. Only 20 per cent of Japan's 5.6m small offices are computerised. NEC hopes to target economical, high-performance PCs at engineers working independently or for small companies. Finally, Mr Takayama expects the 10 per cent penetration PCs into Japanese homes to rise sharply.

With this sort of growth in mind, IBM teamed up earlier this year with 22 Japanese companies to form the Open Architecture Developers Group (OADG). The companies quickly agreed specifications for a common operating system and new products are already hitting the market, some made by cut-price clone manufacturers in Taiwan.

"The price of hardware is already going down, slowly but steadily," says Mr Tanaka.

IBM has one of its own computers on sale for less than Y200,000 ($1,543) for the first time. Even so, Mr Tanaka says, a similar IBM computer in the US would be 40 per cent cheaper, indicating that there is still a long way to go.

Meanwhile, Mr Takayama is unimpressed by the new shape of the competition. "So far the OADG has no results. The participants in the OADG will have a very difficult time developing the kind business that we have now."

NEC has built up its position on the basis of a proprietary operating system that has gained wide acceptance among Japanese-language users and attracted many software vendors to support the system, even though it is unique to Japan and incompatible with other systems worldwide.

The NEC system has effectively become the Japanese language standard, enabling NEC to cultivate a group of 1,800 independent software development companies to service the needs of its customers. Mr Takayama says that NEC's success is not based just on hardware, but on intensive service supplied to customers.

Unless NEC drops the ball badly, these customers are likely to stay loyal to NEC if only because changing an operating system involves such a huge disruption by making existing files and software programmes obsolete.

In spite of Mr Takayama's confidence, however, NEC's competitors, and some independent analysts, believe the company will have a tough time keeping its sales growth rate up to that of the whole market. Mr Tanaka says: "I think the OADG group will gain market share. But our purpose is to broaden the personal computer market in Japan."

Whatever happens to NEC, IBM looks set to come out a winner. Mr Tanaka says that IBM could enjoy some increase in its market share. Yet the wide adoption of an IBM-based standard has already yielded benefits. IBM is selling circuit boards, such as high quality graphics adaptors, and keyboards on an "original equipment manufacturers" basis to other members of the OADG.

The most intense competition could come with the next generation of super-high resolution colour graphics technology, where IBM and NEC are developing new products. The real winners are almost certain to be Japanese computer users.

United Tech warns of loss for year

By Martin Dickson

UNITED Technologies, the US aerospace, automotive and building products group, said it would take a large restructuring charge in the fourth quarter which would mean a loss both for the quarter and 1991 as a whole.

The company, which has been hit hard by recession and the Pentagon's declining defence equipment budget, reported net income of $203.1m, or $1.42 a share, in the first nine months of the year on revenues of $15.5bn.

UTC said it had yet to determine the precise amount of the charge, which was due mainly to a programme, announced last August, to cut its yearly costs by $1bn by the end of 1993. Mr Robert Daniell, the chairman, said then that the company needed to dramatically improve its cash flow performance, reduce expenses and cut jobs.

He said on Tuesday this plan was on schedule and he expected to announce details when the company reported its 1991 results in January.

He added: "Despite its negative effect on this year's earnings, the cost redaction programme will position the company for growth and improved profitability during all economic cycles."

Last month, the group reported a 50 per cent drop in third-quarter profit, to $119.5m, due to declining income in its engines, automotive and building products divisions. However, the figures were an improvement on the second quarter.

The group has already made several cost-cutting moves, including a voluntary severance and retirement programme at its Pratt & Whitney aero-engine business. It plans to reduce UTC's headquarters staff, by 25 per cent during the next few months.

Campbell Soup advances 23% in opening quarter

By Nikki Tait in New York

GAINS in its main North American subsidiaries helped Campbell Soup, the large US food group, to post a 23 per cent improvement in after-tax earnings at $129.2m in its first quarter to October 27.

Campbell, which has undergone a major restructuring recently, saw sales slip 3 per cent overall to $1.55bn. However, it attributed this to divestitures, and said sales from continuing businesses were up by 4 per cent, year-on-year.

Pre-tax profits were up by a fifth after a virtually unchanged interest charge at $214.4m. Earnings per share totalled $1.02, against 82 cents.

The progress, however, stemmed largely from the North American division, the largest within the group, where earnings rose from $177.9m to $217.3m.

Quebecor suffers from fall in newspaper advertising

By Robert Gibbens in Montreal

LOWER newspaper advertising and difficulties with its forest products affiliate caused a 38 per cent drop in third-quarter profit for Quebecor, the printing and publishing group.

Earnings were C$6.1m (US$5.4m), or 26 cents a share, down from C$9.8m, or 41 cents, a year earlier on revenues of C$573m, down 6 per cent.

Nine-month profit fell to C$17.2m, or 73 cents a share, from C$24m, or C$1.02, excluding special gains. Revenues were C$1.7bn, up 1 per cent.

Quebecor, controlled by Montreal publisher Mr Pierre Peladeau, is North America's second largest commercial printer since acquiring Maxwell Communications' North American graphics assets last year for about C$500m.

Its 59 printing plants in Canada and the US recorded an operating income of C$39.5m in the third quarter.

Quebecor plans two disposals in the current quarter and is raising about C$60m with a new equity issue.

Caterpillar in German deal

By Andrew Baxter

CATERPILLAR, the world's largest construction equipment producer, has signed a joint venture agreement with three German manufacturers to design and market small-to-mid-sized wheeled hydraulic excavators, writes Andrew Baxter.

The deal underlines the importance for Cat of the European market, where the majority of wheeled excavators are sold, and especially Germany, where the venture will bring the US company closer to the market.

Since reunification, Germany has been one of the few bright spots in the world construction equipment industry.

Cat will have 40 per cent of the venture, with Franz Eder Maschinenfabrik and Zeppelin-Metallwerke taking 26 per cent each.

The third company, Sennebogen Hydraulikbagger, will take the remaining 8 per cent and make the machines under contract to the venture.

Foster's row with Elliott resolved

By Kevin Brown in Melbourne

FOSTER'S Brewing, the Australian beer group, avoided a damaging public row at the annual meeting yesterday after a last-minute deal between Mr Nobby Clark, chairman, and Mr John Elliott, the former chairman and chief executive.

The deal rules out a transfer of management control to International Brewing Holdings (IBH), a private company controlled by Mr Elliott which owns 38 per cent of Foster's.

However, the board agreed to consider speeding up the disposal of non-core assets, and will investigate ways of extracting greater profits from the core brewing interests, which include Foster's and Carlton in Australia, Courage and Watney in the UK, and half of Molson in Canada.

Mr Clark also said Foster's would resume paying dividends as soon as possible and would look into proposals put forward by Mr Elliott to spin off the non-brewing businesses.

The boardroom row erupted after Mr Elliott indicated that IBH would oppose the re-election of independent directors appointed after Foster's reported a record loss of A$1.3bn in 1989-90.

IBH sought the replacement of Mr Peter Bartels, Foster's chief executive, together with a speeding up of asset sales culminating in an early capital return to shareholders.

A battle for shareholders' votes looked likely until a few hours before the meeting, when Mr Elliott accepted a compromise worked out by Asahi Breweries, the Japanese group which owns 20 per cent of Foster's.

IBH appeared to have forced few real concessions from Mr Clark, who made clear that asset sales would not be conducted at "fire sale prices", and indicated that the group's banks were unlikely to approve a spin-off of the non-core assets.

However, Mr Clark said the board was "inclined to be generous" in resuming dividend payments, which were suspended last year following a net loss of A$43m (US$33.8m).

He said Foster's would consider a capital return to shareholders in late 1993 following the disposal of around A$2.9bn in remaining non-brewing assets.

The resumption of dividends and the prospect of a capital return will ease the financial problems facing IBH, which relies on dividends to service A$2.4bn acquired to finance the purchase of its Foster's shares.

Mr Clark said the independent directors and the three board representatives of IBH had reached "complete unanimity" on the future of the company after two weeks of public brawling.

Mr Elliott said there was "goodwill on all sides." The former chairman was praised by some shareholders, but bitterly criticised by others. "Nothing about this company has been done in the interests of the shareholders since Long John Silver and his pirate gang took it over," said one.

JAPANESE INTERIM RESULTS

Yamaha Motor slides 13.1%

YAMAHA Motor, the Japanese motorcycle and motor manufacturer, reported a 13.1 per cent fall in pre-tax profit to Y5bn ($38.6m) for the first half to end-September and blamed the decline on foreign currency fluctuations, writes Robert Thomson in Tokyo.

Sales rose 9.3 per cent to Y240.4bn, with motorcycle exports up 41 per cent to Y73.7bn and domestic motorcycle sales down 7 per cent to Y38.6bn. Sales of marine and car engines were flat.

Slowing domestic economic growth produced a downturn in sales of new cars, and competition was particularly intense in the Japanese motorcycle market.

Yamaha profited from an increase in European demand for motorcycles and demand in south-east Asia is expected remain healthy. The company said that the US market for marine engines had turned down, but that domestic demand for golf buggies should increase in spite of turbulence in the Japanese golf club membership market.

For the full year, the company expects sales of Y485bn, a 6.4 per cent gain, and a pre-tax profit of Y8bn, down from Y8.5bn last year.

Sharp reverse at Daikyo but Daiwa House ahead

DAIKYO, the leading Japanese condominium builder, posted a sharp decline in non-consolidated pre-tax profits for the first half to September due to the sluggish property market, writes Emiko Terazono.

Unconsolidated pre-tax profits plunged 61.9 per cent to Y7.5bn on a 6.3 per cent fall in sales to Y345.7bn. Daikyo blamed the fall in sales to increasing cancellations of condominium orders. After-tax profits fell 52.2 per cent to Y3.3bn.

Revenues from property sales fell 6.6 per cent to Y338.4bn, while leasing revenues rose 9.1 per cent to Y489m. Sales contracts plunged by 53.5 per cent to Y217.2bn.

For the full year, Daikyo projects pre-tax profits to fall 35.7 per cent to Y23bn on a 2 per cent rise in sales to Y720bn.

Daiwa House Industry, in contrast, reported growth in first-half sales and profits due to brisk building demand and robust orders for its non-residential buildings.

Overall sales rose 13 per cent to Y430.7bn while pre-tax profit rose 4.9 per cent to Y45.2bn. After-tax profit rose 1.1 per cent Y22bn, due to losses of Y1.2bn from cancellations of its tokkin stock investments, or specified money accounts.

Daiwa House expects a 6 per cent rise in full-year pre-tax profits to Y95bn on a 12.2 per cent increase in sales.

Nippon Seiko hit by rising production costs

NIPPON Seiko (NSK), the leading Japanese producer of ball-bearings, was hit by higher production costs and raised interest rates in the first half to September, writes Our Financial Staff.

Parent company net profits fell to Y4.71bn from Y6.95bn a year earlier, on sales marginally ahead at Y183.93bn compared with Y182.19bn.

Looking to the full year, the group forecast lower parent sales to Y375bn, down from a May forecast of Y380bn, against Y368.63bn for the previous 12 months. It also foresaw lower net profits of Y9bn compared with a May forecast of Y11.5bn and with Y12.17bn earned in 1990/91.

Investments loss pushes Sanrio down

SANRIO, the Japanese novelty company, announced a sharp rise in non-consolidated pre-tax losses to Y13.7bn (US$105.7m) for the first half to September from Y9.2bn because of an appraisal loss on stock investments and a worsening balance in its financial items, writes Emiko Terazono in Tokyo.

The company, known for its *zaitech*, or financial investments, in the late 1980s, has suffered heavy losses on its stock investments. After-tax losses increased to Y14.1bn from Y9.5bn.

Turnover rose 12 per cent to Y56.1bn due to steady sales of novelty character goods, and operating profit grew 5.5 per cent to Y2.6bn.

There was a Y5.2bn deficit on its balance of financial items and an appraisal loss of Y9.1bn on securities holdings.

Sanrio said its stocks investments, once totalling up to Y80bn at the height of the bull market, were Y59.4bn. Total borrowings were Y20.4bn.

The company will not pay mid-year dividends, which were Y11 per share last year. For the full year, it expects to post a pre-tax profit of Y2.2bn, on a 5.3 per cent rise in sales to Y123bn.

Consolidated Press sells stake in ANI

By Kevin Brown

CONSOLIDATED Press Holdings (CPH), the private company owned by Mr Kerry Packer, yesterday sold its 30 per cent holding in Australian National Industries (ANI) for A$306m (US$240.8m).

The shares in the heavy engineering group were placed by a Melbourne stockbroker with a range of 60 financial institutions in Australia, Japan, the US and Hong Kong. The sale completed the disposal of a 48 per cent stake in ANI acquired by Mr Packer in 1989 during a period of pressure on the company's share price caused by its exposure to the collapsed Spedley group.

CPH is believed to have made a profit of about A$175m on the sales, which began with the disposal of an 18 per cent stake for A$214m, in August.

The group said the sale was part of its strategy of concentrating on media holdings. CPH owns the Channel Nine television network and is Australia's largest magazine publisher.

It is also a partner with Mr Conrad Black, the Canadian newspaper proprietor, in a consortium bidding for the Fairfax group, Australia's second largest newspaper publisher.

Mr Max Sandow, ANI chairman, said he had been given no notice of the sale, but was pleased the shares had been acquired by a range of institutions rather than a single buyer.

ANI made a net profit of A$114m in its first 12 months under Mr Packer's control after a loss of A$92m in the previous year. Net profits slipped to A$78m in the most recent financial year.

INTERNATIONAL CAPITAL MARKETS

Treasuries tumble steeply as producer prices surge

By Patrick Harverson in New York **and Richard Waters** in London

THE US bond market received an unpleasant fright from the latest inflation rate figures yesterday, with prices dropping sharply at the long end on a much larger-than-expected rise in October producer prices.

By midday, the benchmark 30-year government bond was down 1$\frac{1}{32}$ at 101$\frac{1}{32}$, yielding 7.880 per cent, but some way off its morning lows when the issue had been almost 1½ points lower.

GOVERNMENT BONDS

The two-year note, less troubled by longer-term inflationary concerns, put up more of a fight, easing just $\frac{1}{32}$ to 100$\frac{5}{32}$, to yield 5.640 per cent.

The decline in prices looked more damaging than it was.

Bonds had been aggressively bid up on Tuesday, so part of yesterday's fall was a natural correction to the previous day's over-extension.

That said, the market was still badly rattled by news of the 0.7 per cent rise in last month's producer prices index (PPI), which triggered near panic early selling.

The increase was way above the 0.1 per cent rise expected and prompted fears that if the data heralds the beginning of a new inflation threat, the Fed *might have to reverse its* policy of cutting interest rates.

Fed officials, however, played down the importance of yesterday's data, arguing that the big rise in the PPI was an aberration. The Fed still believes that inflationary pressures in the economy remain weak, and the PPI figures should not alter the current monetary stance.

It appeared that this was a view shared by some in the market, for bond prices recovered their poise later

■ EUROPEAN markets generally reacted to the US news by following US government bonds down yesterday, but most bounced back later in the day to close at or near their opening levels of the day.

The recovery, after the initial knee-jerk reaction, suggested a degree of dislocation between the US and Europe after the US rate reduction last week.

■ GERMAN government bonds, with little new to guide them after the announcement earlier this week of the introduction of a 25 per cent withholding tax for domestic investors, changed marginally up on the day.

The US news, though, drove the bund futures contract down at one point to 86.02, from its opening of 86.23, before a recovery in the afternoon.

Analysts said that the recovery showed that investors in German bonds now had their sights fixed on whether there would be an interest rate rise before the end of the year, having briefly flirted with the prospects of a cut after last week's US rate reduction.

■ DISAPPOINTING manufacturing output figures failed to disturb the UK gilts market yesterday, which decided instead to switch its attention to further economic statistics due today and tomorrow.

Despite recent expressions of confidence from the UK's Confederation of British Industry – employers' organisation – output figures failed to show signs of recovery. Analysts said such news helped to feed the continuing political concern ahead of next year's general election, and meant that international investors remained on the sidelines.

Having firmed overnight, the December long gilt contract ended the day where it began, at 95$\frac{11}{32}$, after moderately heavy trading.

By comparison, the benchmark 2003/07 gilt rose on the day, closing at 113$\frac{21}{32}$ compared with Tuesday's close of 113$\frac{3}{32}$.

Short gilts remained unchanged, reflecting the general view that the prospects of a base rate cut this week have now receded.

■ JAPAN government bonds closed slightly lower on the day, as the market continued to wait for a cut in the official discount rate.

The movement was attributed in part to early profit-taking ahead of the expected rate cut. In Tokyo, the benchmark No 129 traded in a narrow range, having opened at 5.835 per cent.

The yield climbed at one stage to 5.880 per cent, before falling three basis points to close at 5.850 per cent.

● ITALIAN bonds ended firmer in active trading, boosted towards the end of the session by parliamentary approval for a special corporate property tax, Reuter reports from Milan.

The key March 2001 fixed-rate bond (BTP) closed at 100.21/22, compared with 100.14/15 on Tuesday.

Much of the day's trading was also dominated by technical positioning ahead of today's auction of L3,000bn of variable rate certificates (CCT). The paper was assigned at the lower end of market expectations at 99.45.

That would correspond to a price of 98.45 on the secondary market, where the November 1998 CCT closed at 98.51/51. Traders said that the market had been supported in recent days by the stability of the lire against the D-Mark.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		12.000	11/01	113.1900	-0.360	9.89	9.70	9.95
BELGIUM		9.000	08/01	98.7000	-0.160	9.04	9.08	9.06
CANADA *		9.750	12/01	99.5500	-0.800	8.58	8.57	8.88
DENMARK		9.000	11/00	100.7700	-0.150	8.87	8.92	8.93
FRANCE	BTAN	8.500	11/95	98.4700	-	8.89	8.97	8.95
	OAT	9.500	01/01	104.5300	+0.050	8.75	8.80	8.78
GERMANY		8.25	09/01	100.0800	-0.020	8.23	8.34	8.14
ITALY		12.000	08/01	97.4700	+0.170	12.46	12.47	12.41
JAPAN	No 119	4.800	06/99	92.7648	-0.142	6.20	6.30	6.29
	No 129	6.400	03/00	102.9130	-0.232	5.86	5.96	5.90
NETHERLANDS		8.500	03/01	98.6200	+0.020	8.71	8.77	8.70
SPAIN		11.900	07/96	100.5000	-0.200	11.70	11.63	11.56
UK GILTS		10.000	11/96	101-13	+00/32	9.64	9.70	9.77
		10.000	02/01	102-05	+03/32	9.64	9.70	9.76
		9.000	10/08	96-00	+05/32	9.46	9.48	9.52
US TREASURY *		7.875	08/01	100-20	-10/32	7.41	7.52	7.46
		8.125	08/21	102-11	-30/32	7.80	8.00	7.87

London closing, *denotes New York morning session. Yields: Local market standard
Prices: US, UK in 32nds., others in decimal. Technical Data/ATLAS Price Sources

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:10 pm on November 13

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	103¼	103¾		6.21
ALBERTA PROVINCE 9 3/8 95	600	107¾	108¼	-¼	7.06
AUSTRIA 8 1/2 00	400	103¾	104¼		7.85
BANK OF TOKYO 8 3/8 96	100	102⅞	103¼		7.56
BELGIUM 9 5/8 98	250	109¾	110¼		7.68
BFCE 7 3/4 97	150	102	102½	+⅛	7.27
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS INT 7 94 LFr	600	94	95		9.61
KREDIETBANK 7 93 LFr	1000	95¾	96¾		9.65
WORLD BANK 8 96 LFr	1000	96¼	97¼		9.07
ABN AMRO HOLDING 9 1/4 01 Fl	750	102⅝	103		8.81
UNILEVER 9 00 Fl	500	103¼	103¾	+¼	8.44
BCE INC 9 5/8 93 C$	300	101⅝	102⅛		8.33
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Issued	Conv. price	Bid	Offer	Prem.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available - previous day's price
† Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month § above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Chile tries to resolve its banking problems

Stephen Fidler and Leslie Crawford on a $3bn debt which has become a millstone to Chile's financial system

MR JORGE Yarur, the 72-year-old owner and president of Banco de Credito e Inversiones, Chile's fifth-largest bank, died of a heart attack on the day he finished paying his bank's $140m debt with the Central Bank of Chile.

Mr Yarur devoted the bank's entire profits to clearing this debt, completing the repayment nine years ahead of schedule, and his death was seen as a price of the sacrifice needed to obtain a clean bill of health for his bank.

Other Chilean banks have made fewer sacrifices, and 10 of the country's 15 domestic banks still carry debts to the central bank totalling about $3bn, equivalent to 15 per cent of the banking system's assets.

The debts to the central bank were in return for shaky loans that were taken off the books of Chile's banks to shore them up in 1983, in what appeared at the time to be a clever sleight of hand. The banks were meant to service these loans, but in fact – with a couple of exceptions – the servicing record has been extremely poor. The debt is a millstone to commercial banks and the central bank, the first independent central bank in the developing world.

An attempt to resolve this is being considered by the central bank and the government. The expected approach is likely to be on a bank-by-bank basis and would involve the banks and the central bank each sharing some of the financial cost.

The prospect of a settlement of this problem appears to have prompted the acquisition of a stake of between 10 and 20 per cent in Banco de Santiago by the Luksic group, a Chilean holding company controlled by businessman Mr Andronico Luksic. On the face of it, Banco de Santiago is not an attractive prospect for any buyer. Its share of the funds owed to the central bank is over $1bn and it has serviced little of what was coming due.

Along with Banco de Chile – *the two banks were nation*alised in 1983 and then sold back to the public in 1985 after recapitalisation – it is probably the weakest in the system.

However, according to Chilean law, any acquisition by a bank must be made by one whose shares are widely distributed. Banco de Santiago and Banco de Cile fit this description and therefore are the only banks which can acquire others.

It may be the Luksic group, which owns Banco O'Higgins, a successful smaller bank which has also repaid its debts to the central bank, has a strategy to bring about some needed consolidation in Chile's banking system. If mergers do not take place, the environment for Chile's banks in the future, while hardly hostile, does not look inviting.

Now that most recoverable loans have been written back and the debt conversion schemes as good as ended, Chilean bank profits are falling. The banking system's after-tax profits fell 35 per *cent in the first nine months* of 1991, with foreign banks experiencing a 66 per cent drop in earnings and domestic bank profits falling 31 per cent.

Banks are looking for other sources of income. But while individual banks may be successful, the industry as a whole is unlikely to find them. For one thing, the banks' best corporate customers are reducing their bank borrowings. This so-called process of "disintermediation" has been speeded by the fast-growing pension funds (assets of which are now moving towards $10bn), insurance companies (about $1½bn in assets) and mutual funds ($400m). For a banking system with assets of only $20bn, these numbers are significant.

The buoyancy of the stock market is helping companies to raise capital and at present long-term bond placements are cheaper and more stable than bank finance.

International acquisitions would be one way round the problem of expansion but the transparency of bank balance sheets in many countries neighbouring Chile, where acquisitions would make most sense, is often not high.

There is little incentive either to distribute capital as dividends. Limits on the amounts that can be lent to individual borrowers mean reducing capital would force them to shed loans to important borrowers. Banks can only lend 5 per cent of their capital unsecured to a single borrower and 25 per cent of their capital if the loans are secured.

INTERNATIONAL CAPITAL MARKETS

BT share issue prepares ground for stabilisation

By Richard Waters

MANY UK investors are about to be introduced to a legalised form of market-rigging, the like of which they have not seen before. According to specialists in the primary equity markets, it is likely to become far more common in the future.

Stabilisation – massaging a security's price in the immediate aftermath of an issue to ease its take-up in the market – is not a procedure familiar in the domestic UK equity market where a set number of shares are usually brought at a fixed price, often at a large discount, and issues are underwritten in advance. This is a practice which the British government, advised by S. G. Warburg, is attempting to break with in its forthcoming sale of around £5.5bn of shares in BT (formerly British Telecom).

Warburg said earlier this week it would allocate around 15 per cent more BT stock to institutional investors than the government intended to sell. Institutions are expected to receive around half the total issue, suggesting the over-allocation will be in the region of £400m.

If BT's share price falls after the issue, Warburg will buy in this stock to support the price (if the price goes up, though, there will be no buy-back).

This procedure, known as the "Green Shoe" after a famous US legal case, is familiar in the US market and becoming increasingly common in Euro-equity offerings, but is virtually unknown in the UK.

Recent privatisations in which it has been used include Telmex, the Mexican telecoms company, and Repsol, the Spanish energy group.

Stabilisation is permitted under section 48 of the UK's Financial Services Act 1986, which grants relief from the anti-market manipulation provisions of section 47. Under the act, activities designed to massage securities prices became an offence for the first time – except stabilisation practices specifically allowed under rules developed by the Securities and Investments Board.

In this, UK securities law was belatedly catching up with the US, where section 10(b)(7) of the securities code contains a similar provision.

Stabilisation continues to have its detractors. A securities lawyer with one leading London firm, who refused to be named, commented: "Market-rigging is what you call it when someone else does it. Stabilisation is what you call it when it's your own activity."

However, the Securities and Investments Board – the UK's chief investment regulator – and most professionals in the securities markets claim the practice benefits rather than harms investors.

Issuing a large block of stock causes congestion and problems of temporary over-supply, said Mr Richard Britton, international director at the SIB. That can push the price down. "It doesn't reflect a change in perception of the value of the company – it's simply a large block of stock that has to find a home," he said.

Treasury pledges to resolve bond tax anomaly

By Simon London

THE government has pledged to clear up an anomaly in UK tax legislation which has led to straight bond issues with investor put options being taxed as "deep gain" securities.

The deep gain tax rules were introduced in 1989 to clear up the tax treatment of zero coupon bonds and similar instruments, which pay no coupon but are redeemed above issue price.

Under these rules, all of an investor's return over the life of the zero coupon bond is taxed as income.

Importantly, issuers cannot claim tax relief on redemption payments.

However, the wording of the rules led to many straight bond issues which incorporate an investor put option being taxed in the same way.

For example, some bonds include a put option which protects bond holders against the risk of takeover.

The put can, in theory, be exercised shortly after the bonds are issued.

If this happened, the bondholders could receive a capital gain in excess of ½ per cent per year – enough to count as a "deep gain".

Hence the Inland Revenue taxed such bonds as deep gain securities, even though they were issued at only a very small discount to par.

In a written reply to a parliamentary question, Mr Francis Maude, financial secretary to the Treasury, pledged to introduce legislation at the next budget to take bonds with event risk or similar put options out of deep gains tax legislation.

In the meantime the Inland Revenue has been instructed not to tax such bonds as deep gain securities.

Norway draws enthusiastic response

By Simon London

NORWAY yesterday launched its anticipated $1bn five-year international bond issue, drawing an enthusiastic response from investors despite pricing the deal at the more aggressive end of market expectations.

The deal, lead-managed by Deutsche Bank Capital Markets, was priced to yield 28 basis points more than US Treasury securities.

INTERNATIONAL BONDS

Many syndicate officials had indicated that a yield spread of over 30 basis points was appropriate.

However, doubts proved unfounded and the deal was quickly snapped up by a range of retail, institutional investors and central banks – many of which can only buy top-rated sovereign bonds. The yield spread widened to over 30 basis points during the afternoon as the US Treasury bond market rallied, but closed back in before the end of the day.

The five-year maturity was chosen to attract the widest range of institutional and retail investors. The lead manager also noted there was a scarcity of sovereign paper at the five-year maturity – the last comparable deal being a $1.5bn issue by Italy in 1989.

Against this, Norway's last international bond issue, a Ecu1bn five-year deal launched in June, was not an unqualified success. The deal suffered from the weak sentiment in the Ecu sector and the borrower was keen to re-establish itself as a top-flight Euromarket borrower.

Following Mexico's debut Eurosterling bond issue yesterday, borrowers from the "emerging economies" of Latin America continued to provide interest.

Yesterday, Bariven, a subsidiary of Petroleos de Venezuela, the state-owned oil company, came with a $230m five-year issue lead managed by Bankers Trust International.

The bonds carry a coupon of 9½ per cent and were re-offered to investors at a fixed price of 99.62, where the yield is 275 basis points more than US Treasury bonds.

The deal benefited from the rarity of Venezuelan bonds – there have been only two issues since the country returned to the international markets last year, and the deal traded up to 99.70 bid.

Venezuela is expected to launch a D-Mark bond issue next week. Argentina may also come with a two-year dollar deal, priced to yield around 370 basis points more than US Treasury bonds, possibly as early as today.

Elsewhere, syndicate officials said National Power was close to launching a 10-year sterling bond issue, the electricity generator's first foray into the bond market since it was privatised in March.

A yield spread of 80 to 85 basis points over UK government bonds was anticipated. This would offer a yield spread 20 basis points wider than Thames Water's outstanding £150m 10-year deal, the only outstanding Eurosterling bond guaranteed by a core UK utility company, rather than issued through a holding company without a utility guarantee.

● The Asian Development Bank launched a $300m seven-year deal in the Far East, to be listed on the Taipei, Singapore and Hong Kong stock exchanges.

The deal, christened a "dragon bond" and the first of its kind, was designed to tap non-Japanese demand for paper in the Far East with a structure close to a Eurobond. The bonds settle through Euroclear and Cedel, the Euromarket clearing houses, for example.

The deal, lead managed by Lehman Brothers, will be priced today to yield 37-40 basis points more than US Treasury bonds.

● Brixton Estates has placed £40m first mortgage debenture stock maturing 2012 with UK institutional investors. The placing, arranged by Schroders, was priced to yield 155 basis points more than long-dated UK government bonds and brings the total stock outstanding to £120m.

● Japan's 18 investment trust companies bought a net Y9bn of foreign bonds in October, up 43 per cent from September's net purchase, the Investment Trust Association of Japan said.

Gross purchases totalled Y982.3bn against Y835.7bn a month earlier, while gross sales were Y828.3bn, down from September's Y727.8bn.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Kingdom of Norway(a)†	1bn	7	99½	1996	25/15bp	Deutsche Bk Cap.Mkts
Bariven SA(a)†	230	9½	100.245	1996	1⅞/⅝	Bankers Trust Int.
SWISS FRANCS						
Yotai Refractories(b)★★♦	30	4½	100	1995	-	Nomura Bk (Switz)
LUXEMBOURG FRANCS						
BBL Int.NV(a)†	2.25bn	zero	51	1999	1.575	Credit Europeen

★★Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) Callable 29/11/93 at 102% declining ½% semi-annually.

Kearney in Scandinavian acquisition

By Robert Taylor in Stockholm

A T KEARNEY, the leading US management consultant, has acquired Habberstad, one of Scandinavia's largest business consultancy groups, as part of a strategy to widen its interests beyond eastern Europe into the Soviet Union.

Mr Peter Wagner, vice-president of Kearney's European operation based in Düsseldorf, said that the company also needed to be in the Nordic region, where a number of its important corporate clients – Norsk Hydro; Volvo and Asea Brown-Boveri – are active.

The company, which is second to McKinsey in Europe among management consultants, is already in business from Spain to Germany. In recent years, it has developed its activities in Poland, Hungary and Czechoslovakia.

Nippon Life Insurance to acquire US shell company

By Emiko Terazono in Tokyo

NIPPON Life Insurance, Japan's largest life insurer, is to acquire New England General Life Insurance, a US shell insurance company based in Delaware.

Nippon Life will pay $9m for New England General and will start selling life insurance policies in the US next year, targeting employees working for Japanese companies.

The official agreement is expected to be signed next month, and Nippon Life will be the first Japanese life insurer to sell its own products in the US.

New England General – unrelated to New England Mutual Insurance – holds a license to operate in 45 states within the US. Nippon Life will name the new company Nippon Life Insurance Company of America which, for the time being, will sell group policies for Japanese companies.

Until now, Japanese life companies have set up subsidiaries in the US to sell life insurance products of US insurers.

On the other hand, nine US life insurers have set up operations in Japan, but have had difficulties in penetrating the market.

● The World Bank will restore business relations with Nomura Securities and Nikko Securities from next month by allowing them to rejoin an underwriting syndicate for future bond issues, Reuter reports from Tokyo.

The World Bank asked the two securities houses not to participate as syndicate members for its dollar bonds in September, mainly due to the firms' involvement in a series of share trading scandals.

"We just decided to restore business relations with the two groups as before," he said.

He declined to comment on any reasons for the restoration.

Warburg applies to join Amsterdam stock exchange

By Richard Waters

S. G. WARBURG, the UK investment bank, has applied to become a member of the Amsterdam Stock Exchange and plans to extend its securities business into Spain early next year.

Provided approval is given by the Amsterdam exchange, Warburg hopes to have an 11-person office researching, selling and trading Dutch stocks by early next year.

It's move into Spanish securities, where it already has a corporate finance operation, is not expected to involve it in becoming a member of the Madrid exchange.

The bank, which is an active trader of European shares on London's international share market, already trades equities in Paris, Geneva, Munich and (through an associate company) Milan.

● The Chicago Mercantile Exchange (CME) said it fined member-firm Morgan Stanley $10,000 for record-keeping violations, Reuters reports.

Morgan Stanley neither admitted nor denied charges it accepted a customer's orders on two days in 1987 without obtaining and recording the specific amounts of the orders before execution.

Wesfarmers net profits rise to A$7.91m in first quarter

By Our Financial Staff

WESFARMERS, the diversified Australian agricultural and coal group, yesterday reported a rise in net profits to A$7.91m (US$6.59m) for the first quarter to end-September 1991, compared with A$7.64m a year earlier.

Sales fell to A$269.21m from A$288.6m.

Mr Harry Perkins, chairman, told the group's annual meeting that he expected a rise in net profits for the year to end-June 1992 from the A$35.7m for 1990-91.

"The outlook for the Wesfarmers group remains reasonably encouraging," he said. "We are budgeting for a rise in net profit in the current year, although our first-quarter performance was somewhat below budget."

Mr Perkins added that returns for the September quarter rose in the dairy, gas, retailing, transport and chemicals sectors, but declined in the coal, fertilisers, rural, finance and insurance sectors.

Interest costs fell marginally. Earnings per share for the three months advanced to 4.3 cents from 4.2 cents a year earlier.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Wed Nov 13 1991 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1991 to date	Tue Nov 12 Index No.	Mon Nov 11 Index No.	Fri Nov 8 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (181)	796.74	-0.9	8.77	6.12	14.52	32.12	803.78	809.99	817.91	685.05
2 Building Materials (23)	980.82	-0.3	7.47	6.35	17.69	41.35	983.87	991.63	997.34	904.56
3 Contracting, Construction (30)	1054.46	-0.7	7.59	6.97	18.82	50.73	1061.39	1077.79	1083.41	1111.88
4 Electricals (11)	2465.01	-0.9	8.87	5.93	14.29	98.23	2486.77	2490.23	2512.12	1799.03
5 Electronics (25)	1710.76	-1.3	10.82	5.57	11.74	51.95	1734.03	1737.01	1730.90	1574.89
6 Engineering-Aerospace (8)	345.36	-1.6	16.23	7.52	7.44	18.52	350.98	357.03	360.14	390.22
7 Engineering-General (43)	480.56	-0.7	10.08	5.27	12.24	16.79	483.96	486.36	489.07	347.04
8 Metals and Metal Forming (9)	350.58	-0.5	2.11	10.11	–	18.43	352.36	370.51	422.37	395.44
9 Motors (12)	322.55	-1.4	8.02	7.47	16.54	17.56	327.00	334.38	338.02	268.74
10 Other Industrial Materials (20)	1571.66	-1.0	8.03	5.19	14.81	57.59	1586.94	1584.65	1584.69	1138.19
21 CONSUMER GROUP (190)	1586.41	-1.0	7.22	3.52	17.13	36.47	1601.80	1588.90	1590.33	1173.49
22 Brewers and Distillers (22)	1941.45	-1.2	7.93	3.46	15.34	38.33	1964.41	1960.18	1949.96	1473.49
25 Food Manufacturing (19)	1209.39	-0.9	9.36	4.13	13.21	30.09	1220.09	1217.38	1218.08	988.06
26 Food Retailing (17)	2385.69	-2.5	9.53	3.45	13.65	58.06	2446.31	2424.28	2422.46	2211.85
27 Health and Household (23)	4107.45	-0.4	4.92	2.30	23.32	67.75	4122.11	4044.21	4039.25	2399.80
29 Hotels and Leisure (24)	1356.58	-0.5	7.52	5.19	16.45	45.61	1362.92	1356.98	1354.46	1186.98
30 Media (26)	1465.99	-1.9	7.20	4.86	18.16	47.37	1494.48	1489.56	1496.75	0.00
31 Packaging, Paper & Printing (17)	767.87	-0.4	7.03	4.33	17.24	24.09	770.67	770.50	770.21	478.88
34 Stores (32)	1025.75	-0.8	7.35	3.62	17.83	25.03	1034.08	1028.86	1042.47	784.87
35 Textiles (10)	644.70	-0.6	7.22	4.82	17.66	19.91	648.75	641.09	644.08	409.04
40 OTHER GROUPS (110)	1243.07	-1.0	9.64	5.25	13.07	36.29	1256.08	1244.90	1243.46	944.07
41 Business Services (12)	1383.36	-1.0	7.89	4.72	15.67	39.29	1398.00	1397.97	1392.46	0.00
42 Chemicals (21)	1411.40	-1.4	7.14	5.13	17.29	48.39	1430.81	1425.64	1422.75	1003.69
43 Conglomerates (11)	1440.90	-1.0	10.03	7.27	12.09	38.87	1456.10	1447.15	1455.43	1208.29
44 Transport (13)	2324.00	-0.9	6.23	4.86	20.60	68.25	2344.54	2306.38	2326.74	1736.14
45 Electricity (16)	1189.75	-1.5	14.76	5.47	8.83	27.53	1208.35	1197.46	1201.95	0.00
46 Telephone Networks(4)	1502.85	-0.7	10.28	4.15	12.74	28.34	1513.76	1497.87	1479.23	1070.30
47 Water(10)	2395.01	-0.7	17.05	6.45	6.49	125.82	2412.94	2387.04	2384.52	1949.16
48 Miscellaneous (23)	1846.54	-1.1	5.30	5.34	26.15	70.30	1867.48	1846.65	1857.16	1478.06
49 INDUSTRIAL GROUP (481)	1280.27	-1.0	8.27	4.54	15.14	35.98	1292.81	1285.77	1288.19	983.41
51 Oil & Gas (19)	2338.77	-2.0	11.18	5.95	11.82	103.73	2386.10	2376.16	2387.69	2243.05
59 500 SHARE INDEX (500)	1372.26	-1.1	8.62	4.71	14.65	41.31	1387.40	1380.06	1383.16	1086.64
61 FINANCIAL GROUP (91)	776.39	-0.9	–	6.00	–	32.19	783.29	775.85	771.79	679.77
62 Banks (9)	906.21	-0.7	4.60	5.89	41.12	37.46	912.42	903.02	895.57	715.48
65 Insurance (Life) (7)	1503.23	-0.7	–	5.63	–	63.68	1513.47	1504.35	1497.36	1261.37
66 Insurance (Composite) (6)	571.47	-2.2	–	7.68	–	32.94	584.22	568.11	565.83	579.05
67 Insurance (Brokers) (10)	1098.56	-0.7	7.43	6.07	17.65	43.14	1106.79	1101.36	1099.29	918.46
68 Merchant Banks (7)	493.17	+0.6	–	4.28	–	13.08	490.05	484.27	480.83	334.41
69 Property (35)	890.48	-1.0	6.06	5.20	23.32	25.28	899.29	902.79	902.88	942.58
70 Other Financial (17)	249.47	-0.3	11.36	6.93	11.07	11.72	250.13	250.46	249.80	242.09
71 Investment Trusts (70)	1211.12	-0.6	–	3.58	–	29.18	1218.14	1212.89	1213.54	992.24
99 ALL-SHARE INDEX (661)	1229.01	-1.1	–	4.84	–	38.60	1242.07	1234.87	1236.43	986.82

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Nov 12	Nov 11	Nov 8	Nov 7	Nov 6	Year ago
FT-SE 100 SHARE INDEX‡	2546.5	-29.0	2574.2	2545.6	2575.5	2554.9	2559.0	2538.0	2534.2	2046.0

FIXED INTEREST

PRICE INDICES	Wed Nov 13	Day's change %	Tue Nov 12	Accrued interest	xd adj. 1991 to date
British Government					
1 Up to 5 years (27)	122.07	+0.02	122.04	1.84	10.75
2 5-15 years (28)	135.29	-0.03	135.33	2.10	11.84
3 Over 15 years (8)	143.49	-0.01	143.51	2.09	11.50
4 Irredeemables (6)	156.82	+0.03	156.78	0.55	13.45
5 All stocks (69)	133.38	-0.01	133.39	2.02	11.60
Index-Linked					
6 Up to 5 years (2)	167.15	+0.06	167.05	0.44	3.16
7 Over 5 years (9)	149.64	+0.01	149.62	0.91	3.83
8 All stocks (11)	150.92	+0.02	150.89	0.84	3.81
9 Debs & Loans (60)	113.55	+0.01	113.53	1.87	9.62

AVERAGE GROSS REDEMPTION YIELDS		Wed Nov 13	Tue Nov 12	Year ago (approx.)
British Government				
1 Low	5 years	8.44	8.42	10.34
2 Coupons	15 years	9.47	9.46	10.87
3 (0%-7¾%)	20 years	9.47	9.47	10.90
4 Medium	5 years	9.65	9.64	11.45
5 Coupons	15 years	9.58	9.57	11.33
6 (8%-10¾%)	20 years	9.55	9.55	11.28
7 High	5 years	9.86	9.85	11.56
8 Coupons	15 years	9.67	9.66	11.53
9 (11%-)	20 years	9.60	9.60	11.51
10 Irredeemables	[illegible]	9.67	9.67	11.04
Index-Linked				
11 Inflation rate 5%	Up to 5yrs.	3.80	3.81	3.68
12 Inflation rate 5%	Over 5 yrs.	4.23	4.23	4.23
13 Inflation rate 10%	Up to 5yrs.	3.21	3.22	2.52
14 Inflation rate 10%	Over 5 yrs.	4.07	4.06	4.06
15 Debs &	5 years	11.33	11.33	13.40
16 Loans	15 years	11.14	11.13	12.87
17	25 years	10.95	10.95	12.50

‡Opening index 2574.1; 9 am 2569.4; 10 am 2562.2; 11 am 2555.9; Noon 2554.7; 1 pm 2554.9; 2 pm 2546.8; 2.30 pm 2547.6; 3 pm 2547.8; 4.10 pm 2546.8; (a) 8.39am (b) 4.18pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, Ibex House, 42-47 Minories, London EC3N 1DY. Tel: 071-702 0991.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	4	27	51
Corporations, Dominion and Foreign Bonds	4	2	14
Industrials	187	344	953
Financial and Properties	63	177	520
Oils	13	26	51
Plantations	0	3	7
Mines	25	22	105
Others	63	40	56
Totals	359	641	1,757

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price p	+ or -
3	Nil	25/11	8pm	6pm	Anglo Eastern Plantations	6pm	-2
10	Nil	20/11	2pm	¼pm	British Thornton 5p	¼pm	
350	Nil	10/1	114pm	93pm	De La Rue	113pm	+2
100	Nil	22/11	31pm	21pm	European Motor 40p	21pm	-1
Ir7.5	Nil	12/12	1¼pm	¼pm	♦Kenmare Res. Ir5p	¼pm	
215	Nil	20/12	35pm	31pm	More O'Ferrall 10p	35pm	+3
125	Nil	27/12	10pm	10pm	PCT Group 10p	10pm	
17	Nil	27/12	3pm	2pm	♦SelecTV 1p	2pm	
450	Nil	12/12	95pm	80pm	Serco Group 2p	95pm	+8
282	Nil	23/12	45pm	39pm	Sims Food 5p	39pm	-3

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1990-91. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. [illegible] Offered to holders of ordinary shares as a "rights". † Introduction. [illegible] Placing price. †† Reintroduction. [illegible] Unlisted securities market. [illegible] Issued in connection with reorganisation, merger or takeover. pm Price at a premium. * Unregulated collective investment scheme.

TRADITIONAL OPTIONS

- First Dealings — Nov. 4
- Last Dealings — Nov. 15
- Last Declarations — Feb. 6
- For settlement — Feb. 17

For rate indications see end of London Share Service

Calls in Bimec Inds., Burton, Chrysalis, Maxwell Comm. and Ratners. Puts in Maxwell Comm. and Royal Insurance. Put and call in Ratners.

LONDON TRADED OPTIONS

UK COMPANY NEWS

VSEL pins future on frigate order

By Andrew Bolger

VSEL CONSORTIUM, the Cumbria-based builder of Trident submarines, said yesterday it was critically important that the group should win an order to construct up to three new Type 23 frigates for the Royal Navy.

VSEL, which is making large reductions in its workforce, said that without a Type 23 order the number of people employed on naval construction at its Barrow-in-Furness yard would fall below the minimum of 5,000 it needs.

Given that base, VSEL believes it can employ a total of between 7,000 and 9,000 at the yard, compared with the current level of just over 10,000.

Tenders for the Type 23 frigates were also issued by Yarrow, Swan Hunter and Vosper Thornycroft. VSEL submitted its tender for the fourth and last Trident submarine last month, and hopes the contract will be awarded before the end of the current financial year.

VSEL increased its pre-tax profits by 36 per cent to £22.4m in the six months to September 30. However, a substantial increase in the tax rate meant the earnings per share increased by only 6 per cent, to 40p (37.9p).

The group said its tax rate had risen because of the reversal of capital allowances and the offset in previous years of advance corporation tax, and was likely to remain at about 36 per cent for the next few years.

Turnover rose 3 per cent to £256m (£248m) and trading profit increased by 17 per cent to £18.3m (£15.7m), because of productivity gains and the phasing of contracts. Net cash of £110m pushed up interest receivable from £800,000 to £4.1m. The interim dividend was increased to from 7p to 8p.

Mr Noel Davis, chief executive, said VSEL would be more aggressive on the acquisition front, and would use some of its cash to expand into offshore work for the oil and gas industries.

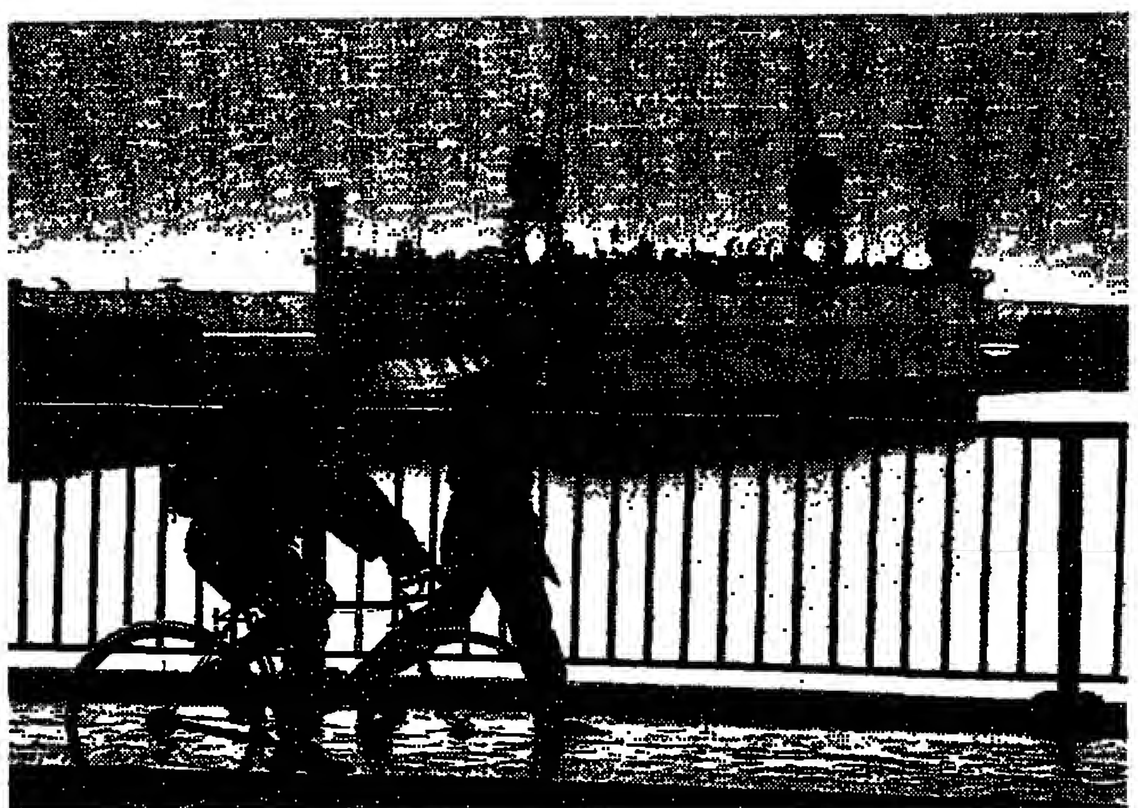
Mr Davis said talks were progressing on the future of the group's Cammell Laird warship building yard at Birkenhead on Merseyside.

The Cammell Laird yard currently employs about 1,400 people, but that is set to fall at the rate of about 100 a month as the yard's remaining work on submarines runs down to 1993.

VSEL had entered talks with Amec with a view to the engineering and property group acquiring the whole 147-acre site, but VSEL had decided not to proceed on that basis.

Instead, it plans to establish a joint venture with Amec, based on the shipbuilding part of the site, with a view to exploiting opportunities in the off-shore industry. It is also likely to lease the engineering shop to Cooper Industries and may allow a French company to build a chemical treatment plant on the site's car park.

Mr Davis said it was possible Amec would eventually acquire the whole Cammell Laird site, but in the meantime he was anxious to achieve greatest value from the site, consistent with maximising employment prospects. The plans under discussion would produce several hundred jobs.



Alan Harper

Large reductions in the Barrow workforce are likely without a Type-23 frigate order

Swedish joint venture for Brit Steel

By Robert Taylor in Stockholm and Andrew Baxter in London

BRITISH STEEL and SSAB, Sweden's state-owned steel producer, have reached agreement on the creation of a jointly-owned company which promises to be one of Europe's largest producers of electrical steels.

The UK company had said in March that it was in the early stages of talks with SSAB about pooling their interests in electrical steels – flat-rolled steel that is laminated to give special electrical properties, and used to form the cores of electricity generating equipment.

The deal is part of British Steel's strategy to develop specific markets in Europe where technical expertise is of real significance.

The new company is to be called European Electrical Steel (EES), of which British Steel will own 75 per cent and SSAB the rest.

The two steelmakers believe their co-operation in electrical steel production will involve some rationalisation.

Research facilities will be combined to allow specialisation and avoid duplication of effort.

By pooling their expertise, both companies hope to be able to meet stiff competition in a sector with good business prospects.

The two major European producers are Thyssen of Germany and Usinor Sacilor of France.

EES is expected to have an annual turnover of about SKr1bn(£91m) and around 1,000 workers.

The two companies expect formal approval by the authorities in both countries by the end of this month and it is hoped the new enterprise will begin on December 1.

SSAB said the new company will have plants at Surahammar in Sweden which has an annual production capacity of around 75,000 tons and Newport, south Wales where 175,000 tons of electrical steels can be produced yearly. The Newport plant takes flat-rolled steel as its raw material from British Steel's main facilities.

Earlier this week, British Steel and Bethlehem Steel dropped plans for a US joint venture in structural steels after failing to reach agreement with the United Steelworkers union.

British Borneo seeks £57.65m to buy N Sea assets of Norsk Hydro

By Deborah Hargreaves

BRITISH Borneo Petroleum, the oil exploration company, has agreed to buy the North Sea assets of Norsk Hydro, the Norwegian oil company, for £57.65m, the main part funded by a 3-for-2 share offer.

Around 27m shares are the subject of a placing and open offer at 205p per share to raise £55.35m excluding expenses. Shares not taken up by qualifying shareholders will be placed by NM Rothschild & Sons with clients of Cazenove.

The acquisition and associated placing and open offer are conditional on shareholders' approval and on the consent of the Secretary of State for Energy.

The purchase gives the company a rising production profile in the North Sea and a range of potential developments which will help sustain growth. The Norsk Hydro assets include shares in four producing fields – a small stake in the large Brae field – and four potential developments.

It will give British Borneo production of 2,100 barrels of oil a day (b/d) rising to 5,100 b/d by 1997. The acreage also includes several discoveries which are still being appraised.

The purchase will take Norsk Hydro out of the UK sector of the North Sea to concentrate on its core businesses.

British Borneo, which was created as a share-dealing syndicate, has begun an exploration programme in the Gulf of Mexico and Italy.

Mr Alan Gaynor, managing director, said: "This acquisition is a rare opportunity for us to make a major advance in a single move towards our aim of becoming a significant risk-diversified independent British oil and gas company."

The company has forecast a final dividend of 4.43p on the enlarged share capital, representing a total for the year of 7.1p.

Atlantic Resources agrees bid from Conroy Petroleum

By Tim Coone in Dublin

ATLANTIC RESOURCES, the Irish oil exploration group headed by Mr Tony O'Reilly, has recommended an all-share bid from Conroy Petroleum and Natural Resources, a rival Dublin company.

The bid, worth about I£7.3m (£6.7m), was seen in Dublin as an attempt by Conroy to thwart a threat to its independence from two of its main shareholders, Outokumpu of Finland and International Corona of Canada.

If the offer for Atlantic succeeds, Mr O'Reilly will personally subscribe to additional shares in Conroy and join its board. In addition to being chairman of Heinz, the US foods group, Mr O'Reilly heads a clutch of Irish companies such the Wedgwood arm of Waterford, Fitzwilton and Irish Independent Newspapers.

Conroy is offering Atlantic shareholders one ordinary share for every 26 Atlantic ordinary shares. In addition, 108,465 Conroy ordinary will be exchanged for outstanding options on 11.6m Atlantic shares.

Atlantic's shares closed unchanged at 2.25p compared with 2.54p implied by the bid terms. Conroy's shares slipped 3p to 66p. Both companies trade on the USM in London.

Atlantic said it "believes (the offer) to be fair and reasonable and in the best interests of shareholders".

Atlantic, which reported a pre-tax loss of I£610,000 on turnover of I£1.27m last year, suffered a further setback earlier this year when two partners pulled out of a plan to bring oil ashore from the company's Celtic Sea wells.

Mr O'Reilly is estimated to have invested I£4m of his own money into Atlantic over the past 10 years to bring Irish oil ashore. The offer requires Mr O'Reilly to subscribe to a further 2.04m shares in Conroy at 75p each. Under the offer, Mr O'Reilly and his associated companies will take about 5 per cent of Conroy.

Atlantic has minority stakes in several North Sea gas fields, substantial interests in 37 gas wells in West Virginia and also has stakes in exploration work in Papua New Guinea. Conroy is expected to dispose of Atlantic's overseas interests thereby raising cash for both its core business of mineral exploration and to develop Atlantic's Celtic Sea oil wells.

Electrocomponents

18% decline blamed on recession and start-ups

By Michiyo Nakamoto

ELECTROCOMPONENTS, the distributor of electronic and electrical components, blamed poor trading conditions and high start-up costs in Europe for an 18 per cent fall in pretax profits from £24.7m to £20.3m at the midway stage.

The interim dividend, however, is increased to 1.9p (1.8p) on lower earnings per share of 6.3p (7.62p).

Electrocomponents' shares yesterday slipped 11p to 245p.

The results follow efforts by the group to return to an emphasis on its core business of selling through catalogues.

Turnover in the six months to September 30 was down 3 per cent to £188.2m (£194.5m) as recession dampened demand in the UK, its primary market.

Electrocomponents has been reducing its exposure to the UK market by expanding in continental Europe. Earlier this year it expanded RS Components, its core electronic and electrical products catalogue business, into Germany, and Misco, its computer supplies and accessories catalogue business, into France.

The considerable start-up costs of the two businesses were another cause of the lower profits, the group said.

Nevertheless, the UK business of RS contributed 60 per cent of overall turnover and 90 per cent of profits. The balance of the profits came from the rest of the RS group, including Verospeed, the electrical component concern and RS Australia, which were both acquired just over a year ago.

Misco lost money in the US, while in Europe, strong performances in Italy and Germany were offset by weakness in the UK and Sweden. Overall turnover remained about the same as in the previous first half.

During the first half, the sale for £3.08m of Mesa Distribution, part of its US operations, resulted in an extraordinary loss of £500,000.

● COMMENT

Given Electrocomponents' long-term track record, the fall in interim profits came as something of a disappointment. Relief that the group had left behind its troublesome period of diversification was short-lived and quickly replaced by creeping doubts about its ability to grow anywhere outside its core RS business. This business is still highly successful but an 18 per cent decline in group profits in a period when it should have benefited from the elimination of loss-makers, raises concerns about the prospects of any other business acting as a second major profit earner for the group. Attempts to expand outside the UK will pay off in the long run but any recovery in trading activity will be neutered in the short term by heavy start-up costs. Forecast profits of £50m for the year give a multiple of 16 times and, although Electrocomponents has long enjoyed a premium rating on the strength of its excellent 10-year track record, while it searches its way back to better profits, there is probably no reason why that rating should be any higher.

AMEC acquires German stake

By Andrew Taylor, Construction Correspondent

AMEC one of Britain's biggest engineering and construction groups has strengthened its growing base in continental Europe by acquiring a 50 per cent stake in Kittelberger the German building and civil engineering group.

Earlier this year AMEC acquired a 20 per cent stake in Serete, a French design and engineering company with interests in Portugal, Italy, Spain and Holland.

The purchases form part of a series of cross border acquisitions, stake building and joint ventures which have been made by European construction companies during the run up to the creation of the single market.

By the end of next year all technical, physical and economic trade barriers must be removed between member countries. French and German construction groups have been particularly active in acquiring shareholdings in EC contractors in order to cement trading relationships and provide local bases from which to operate.

Mr Alan Cockshaw, AMEC's chairman said: "It is virtually impossible to operate successfully in another country, without local partners, whether you are operating in the EC or elsewhere. The German purchase although small in cash terms is strategically very important. It means we will have an operational base in every major European Community country."

AMEC is understood to have agreed to purchase its stake in Kittelberger for DM10m (£3.5m). This could rise to DM25m depending on the German company's performance.

Kittelberger, which is privately owned, employs 750 people and is expected to achieve a turnover of DM240m in 1991-92. The company has offices at Kaiserslauten, Mainz and Mannheim and at Halle in eastern Germany.

The aim will be to expand Kittelberger's workload by making available AMEC's international skills in process plant, water treatment, environmental projects and engineering. "We are confident the country's construction sector will continue growing, especially in the east where we anticipate a considerable upturn in work in the short to medium term," says Mr Cockshaw.

AMEC meanwhile is negotiating to increase its stake in Serete. The two companies have identified more than 40 potential joint venture projects in a range of EC countries since the stake was acquired at the beginning of this year.

Sturge income could rise £100m

By Richard Lapper

STURGE HOLDINGS, the largest agency group at the Lloyd's of London insurance market, yesterday announced a deal that will increase its potential insurance income by about £100m.

In the biggest of a series of recent mergers and acquisitions among the 100-plus agencies and 300-plus syndicates at the troubled market, Sturge is to acquire three syndicates managed hitherto by FLP Secretan one of the oldest agencies which is now set to disappear.

If the deal goes through as expected, Sturge will assume management of one of the market's biggest and most successful aviation syndicates, 545; motor syndicate 366; and non-marine syndicate 1,005. Together the three represented premium income of £100m in 1991.

Sturge has won a reputation as the most acquisitive and dynamic Lloyd's agency since it obtained a full listing in 1986.

It already manages 21 syndicates with a total premium capacity of £1.1bn – about 10 per cent of the Lloyd's total.

Sturge also handles the affairs of about 3,000 Names, who commit capital in excess of £1.24bn to the market.

Full financial details should be available when the deal is completed by mid-December, although there was speculation that Sturge might pay between £2.5m and £5m for the syndicates, possibly paying with paper rather than cash.

In September Secretan folded its members agency – which handles the affairs of underwriting members of Lloyd's or Names – into the Oakwood Agency, a new grouping formed by the agency Michael Payne and Others and the broker, Greig Fester.

Cable and Wireless buys Barbados telecom stakes

CABLE AND Wireless of the UK has purchased the holdings of the Barbados government in the island's telephone and external communications companies.

The divestment by the government will allow Barbados to meet outstanding payments on a Y4.3bn (£18.61m) loan from Japan which was due last month.

Cable and Wireless is paying the Barbadiann government $25m (£14.1m) for an 11 per cent stake in the Barbados Telephone Company and 25 per cent of Barbados External Telecommunications.

Government officials in Barbados said that Cable and Wireless had made an advance payment of $17m on the transaction.

They could not say when the balance of the consideration would be paid.

The British company was the principal shareholder in both companies, and the new stake acquisitions have taken its interests in the telephone company to 85 per cent, and in the external telecommunications company to 76 per cent.

The government will have the opportunity of repurchasing the shares after five years, at their market value.

In announcing the planned divestment last month, Mr Kurliegh King, governor of the Barbados central bank, said that the government was making arrangements with the Japanese bondholders to ensure that there would be no default on the loan although the date for repayment had passed.

The funds were raised from a yen bond issue in 1986.

Mr King said the Barbadian government had started talks with other companies in which the government was a shareholder in order to find additional funds to help repay the bond issue.

Bristol Waterworks dealings begin

BRISTOL Waterworks was registered yesterday as a public company under the Companies Act 1985 and dealings in the new ordinary stock, non-voting ordinary stock and 6.75 per cent cumulative convertible redeemable prefer ence shares 1998 of £1 have begun.

The arrangement whereby Bristol Waterworks will become a wholly-owned subsidiary of a new group holding company, Bristol Water Holdings, is expected to become effective on December 12 1991. Stockholders on the register at December 11 will receive shares in Bristol Water Holdings in exchange for their holdings in Bristol Waterworks.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Electrocomps ....int	1.9	Jan 2	1.8	-	6.6
Ensign Trust ....fin	nil	-	nil	0.3	0.3
FKI ....int	1	Jan 27	2	-	3.3
Flem Japanese IT ....fin	1	-	0.75	1	0.75
Jessups ....fin	3	Jan 6	4.75	4.5	7
Land Securities ....int	6	Dec 17	5.5	-	19.75
Regalian Props ....int	1.5†	Jan 6	1.5	-	4.4
Scot Value Trust........fin	0.625☆	Jan 10	-	0.625	-
Tomkinsons ....fin	8	Feb 13	8	11.5	11.5
VSEL Consortium ....int	8‡	Jan 28	7	-	22.5
Waddington (J) ....int	3.6	Jan 14	3.6	-	7.9
Warner Howard ....int	1.925	Jan 6	1.75	-	5.2

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ‡Scrip alternative. ☆For six months period.

Exceptional costs cut Waddington to £6.6m

By Peggy Hollinger

REDUNDANCY costs and investment in a new factory depressed interim profits at John Waddington, the packaging, plastics and games manufacturer which makes such favourites as Monopoly and Cluedo.

Pre-tax profits fell by almost 18 per cent to £6.6m after a £1m exceptional charge for job cuts in the Plastona plastic food container business and the costs of relocating to the new carton plant. Profits at the trading level were virtually unchanged at £9.4m, on turnover only slightly up from £114.2m to £114.9m.

Mr David Perry, chief executive, said the first half had been "extremely tough with enormous pressure on volume and margins". Mr Perry, who was captain of the England rugby team in 1965, described the group's trading as "a bit like England trying to break through that impregnable Australian defence . . . you plug away, hoping the breaks will come".

Packaging, which accounts for 61 per cent of sales, showed a small rise in profit from £5.4m to £5.9m. Cost-cutting and a strong showing in the US helped to boost margins from 7.9 per cent to 8.3 per cent.

The business forms and specialist printing business saw a 27 per cent decline in profits, due to falling demand and margins in the UK.

A new range of craft games – called the Get Set series – helped the games division, which provides just over 10 per cent of sales, advance to £1.9m (£1.8m). Christmas orders were strong, said Mr Perry, although they were coming later than the previous two years.

Mr Victor Watson, chairman, said strong investment over the past two years had left the group in a "competitive position" to deliver good returns, although trading would remain difficult this year.

Earnings per share fell from 7.36p to 6.12p. The interim dividend was maintained at 3.6p.

● COMMENT

Mr Watson's emphasis on investment has not been wasted on investors. But perhaps not in the manner that the chairman had expected. The decline in earnings per share since 1987 – from 16.2p to last year's 14.7p – may not justify capital expenditure since then of £82m, including this year's outlay on the new carton folding plant. The capital expenditure has also failed to justify itself at the operating level, where profits have risen just £6m since 1987 – a return of 7 per cent. On the brighter side Waddington's "totally hygienic" food carton factory will certainly bring returns in the future. But not for a while, and perhaps not for soon enough Waddington's directors. Although Mr Watson is rightly proud of having fought off three bids – two from Mr Robert Maxwell – he may not be so lucky next time. Waddington will be at its most vulnerable over the next six months until returns on those investments begin to show. Forecasts for the year are as low as £14m. The prospective p/e of 15.3 is pretty demanding.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 14.11.91: Pool purchase price £/MWh	Final Prices for Trading on 17.10.91: Pool purchase price £/MWh	Final Prices for Trading on 17.10.91: Pool selling price £/MWh
0030	16.49	15.82	15.82
0100	19.38	15.82	15.82
0130	21.50	15.82	15.82
0200	21.50	15.86	15.86
0230	19.36	15.90	15.90
0300	19.36	15.90	15.90
0330	16.53	15.83	15.63
0400	16.43	15.82	15.82
0430	16.29	15.82	15.82
0500	16.29	15.82	15.82
0530	16.34	15.83	15.83
0600	16.34	15.86	15.86
0630	16.45	15.86	15.86
0700	18.54	16.21	16.21
0730	19.60	19.63	23.10
0800	20.14	31.59	37.24
0830	21.25	37.00	43.25
0900	21.38	40.24	47.10
0930	26.24	37.01	43.21
1000	26.26	35.56	41.49
1030	21.87	34.71	40.55
1100	21.87	31.47	37.23
1130	26.28	32.10	38.12
1200	26.34	32.91	39.09
1230	26.35	31.41	37.21
1300	26.31	28.41	33.55
1330	21.86	24.83	29.06
1400	21.83	23.52	27.46
1430	21.82	22.41	26.21
1500	21.54	22.40	26.19
1530	21.65	23.67	27.63
1600	22.14	28.20	33.46
1630	33.74	39.26	46.42
1700	59.36	47.78	56.69
1730	71.00	49.20	58.28
1800	65.42	48.27	57.28
1830	38.76	44.55	52.88
1900	28.92	39.51	46.17
1930	25.82	32.16	37.28
2000	21.74	22.07	25.59
2030	20.36	19.65	22.53
2100	20.35	18.73	21.46
2130	19.34	17.98	20.86
2200	18.80	17.96	20.60
2230	18.90	17.71	20.38
2300	16.46	17.71	20.36
2330	16.39	16.00	16.00
2400	16.29	15.86	15.86

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision

NGC Settlements Limited

NEWS DIGEST

Warner Howard rises 10%

IN THE six months ended August 31 Warner Howard lifted pre-tax profits by 10 per cent, from £2.51m to £2.78m.

Mr Ronald Hooker, the chairman of the commercial laundry and warm air hand dryer supplier, said that rentals, the main contributor, had continued to increase profits.

The company has recently diversified into beverage machines and food service equipment through the acquisition of Derek Wright (Food Machinery) and Eurolectrics.

Earnings per share improved to 8p (7.19p) and the interim dividend is stepped up to 1.925p (1.75p).

Turnover grew from £8.63m to £11.1m and the pre-tax result was after interest charges of £23,000 (£78,000 received).

Fleming Japanese asset value ahead

Net asset value of Fleming Japanese Investment Trust rose 29.5 per cent from 209.3p per share to 271.1p in the year ended September 30, the same as at the half-way stage. Total assets increased by 29 per cent to £215m.

Net revenue was £859,000 (£594,000) for earnings of 1.1p (0.76p) per share. A dividend of 1p (0.75p) is proposed.

The board has also proposed a 1-for-2 scrip issue and a warrant issue to subscribe for ordinary shares on the basis of one warrant for every five shares held immediately after the capitalisation issue.

Maiden results from Scottish Value Trust

The interim results from Scottish Value Trust, resurrected last year from Bremner, the property investment and stockbroking company, show that in the company's first trading period the net asset value rose from its base of 47.32p per share to 48.85p in the six months ended September 30.

Total income for the period was £372,000 and net revenue after tax £70,000 for earnings of 0.48p.

In line with the declared dividend policy of achieving a yield at least equal to that of the average investment trust, the board proposed a final dividend of 0.625p

Specialist Computer improves to £5.2m

Specialist Computer Holdings, a privately-held computing services company turned in increased revenues and pre-tax profits last year – against the trend in a sector devastated by declining profitability.

Turnover amounted to £77.5m in the year ended March 31, a 12 per cent increase over the previous year. Pre-tax profits rose by 10.6 per cent from £4.7m to £5.2m.

The company's principal business is a personal computer dealership, but it is also a computer distributor and operates computer bureaux and training services.

Bureaux and data entry services have been largely abandoned by other services companies as customers have turned to personal computers and other forms of low cost data processing, but SCH has continued to tap a small but reliable source of profits.

The company has an unbroken record of growth and profitability since its formation nine years ago. Aggregate compound growth has been 50 per cent a year since 1987.

About 80 per cent of the group's sales and profits come from its personal computer dealership. The pc business in the UK has been marked by declining profitability and liquidations as manufacturers increased the discount they allow dealers.

Mr Peter Rigby, SCH founder, chairman and principal shareholder said the group's continued growth was the result of its virtually complete move into systems integration – it not only supplies hardware but provides applications software, training and other services to meet customers' needs.

The company markets only to local and central government and to large corporations through its direct sales force.

Mr Rigby said the company had no net borrowings and had sufficient liquid resources to take advantage of profitable opportunities as they arose. Growth has been principally organic but the company has in the past few years made a number of small acquisitions. He said that when the recession lifted, he expected business to grow strongly.

PUBLIC WORKS LOAN BOARD RATES

Effective November 13

Years	Quota loans* EIP†	Quota loans* A††	Quota loans* maturity§
1			10⅛
Over 1 up to 2	10⅛	10⅛	10⅛
Over 2 up to 3	10⅛	10⅛	10⅛
Over 3 up to 4	10⅛	10⅛	10¼
Over 4 up to 5	10⅛	10⅛	10¼
Over 5 up to 6	10⅛	10¼	10⅜
Over 6 up to 7	10¼	10¼	10⅜
Over 7 up to 8	10¼	10¼	10½
Over 8 up to 9	10¼	10⅜	10½
Over 9 up to 10	10⅜	10⅜	10⅝
Over 10 up to 15	10½	10⅝	10⅝
Over 15 up to 25	10⅝	10⅝	10⅝
Over 25	10⅝	10⅝	10⅝

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

UK COMPANY NEWS

FKI falls 49% to £13.5m as chief executive resigns

By Jane Fuller

IT WAS a day of bad news for FKI, the electrical engineering group. Pre-tax profit fell by 49 per cent from £26.3m to £13.5m, the interim dividend was halved to 1p and the resignation of its chief executive was announced.

Mr Norman Scoular, 37, decided to leave the post after two years to spend more time with his family.

He is being replaced by Mr Bob Beeston, managing director of BTR's valve group and promoted to the board of one of BTR's main operating holding companies only three months ago.

Although his appointment as managing director received a cautious welcome from analysts, whose views on FKI have soured since the merger-demerger with Babcock International, it was the dividend cut that hit the share price. It shed 6½p to close at 52p yesterday. It was "hoped" that the final dividend could be maintained at 1.3p.

Mr Jeff Whalley, chairman, said recessions on both side of the Atlantic had hit the results in the six months to September 30, much as they had in the second half of last year.

The focus of attention had been to cut costs and strengthen the balance sheet. Net debt had come down from £84m to £75m, gearing of 28 per cent, and $120m (£69.7m) of US borrowings had been switched from short to medium term at a 9.3 per cent interest rate. Interest costs were cut to £5m (£6.9m).

Turnover declined to £371.1m (£389m). Mr Eric Bowers, finance director, said this was in spite of £15m in exchange rate gains, which also added £400,000 to pre-tax profit.

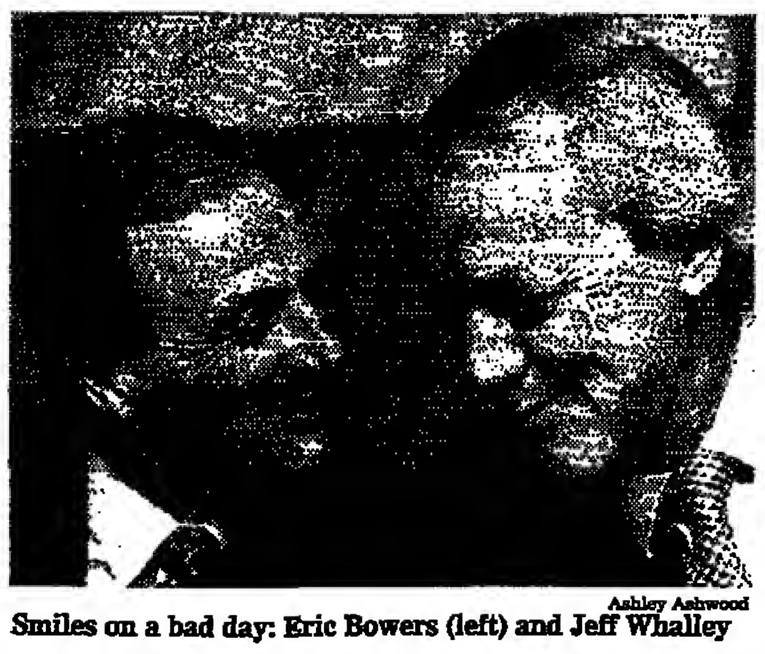
Operating profit fell to £18.5m (£33.2m). Both the automation and transportation divisions suffered declines of well over 50 per cent.

Mr Whalley said the drop in automation to £5.4m (£11.8m) was largely accounted for by two UK companies making consumable products.

In transportation, which made £3.7m (£9.3m) profit, worst affected had been UK motor components and the rail-related activities, part of which had been sold.

Engineering held up better at £11.1m (£13.4m) profit. Star performer was the US hardware business.

Earnings per share fell to 2.2p (4.3p).



Ashley Ashwood

Smiles on a bad day: Eric Bowers (left) and Jeff Whalley

● COMMENT

Jaded watchers of FKI are still waiting for a "strong strategic message", which will now have to wait until after Mr Beeston has his feet under the table. While rail still looks like a disposal candidate, the US automotive business has come off the market. "Too many businesses" remains a predominant view, along with disparagement of the margins – which it is hoped Mr Beeston's BTR disciplines will help to address. A full-year forecast of £28m (£40m) gives a prospective p/e of just over 11. With the yield prop cracked and standing at less than 6 per cent prospectively, the support is not cast iron even at this level.

A sticky mixture – but the chemistry still works

John Thornhill looks at Boots' businesses in the light of its expensive acquisition of Ward White

CURRENT CITY wisdom holds that the Boots retailing business was a reassuringly defensive if somewhat dull company until two years ago when, in an unaccountable fit of folly, it splashed out and bought the Ward White retailing conglomerate.

At the time, most City observers did not consider the £900m price tag to be excessive although some prominent shareholders, notably Mercury Asset Mangement, did express doubts about the deal.

Ward White had some attractive businesses, including the Halfords car parts group and the Fads and Payless DIY chains, and was thought to have good growth potential.

But such has been the depth of the retail recession that the acquired businesses may – at best – make only a minimal contribution to today's results, before taking any account of the acquisition's financing costs.

Analysts have pencilled in a static £150m pre-tax figure for Boots as a whole and speculate that Boots would be lucky to receive £200m for the Ward White businesses if it were to sell them today.

Such an embarrassingly dismal outcome may well have sunk a weaker company and irredeemably tarnished the reputation of its management. But both Boots and Sir James Blyth, the combative chief executive, appear to be fighting through.

Admissions of failure do not come easily to the proud Sir James, but even he is forced to concede that "with the benefit of 20:20 hindsight we paid too much for Ward White."

Yet in spite of the adverse financial impact, Sir James still vehemently defends the underlying rationale for the purchase. "Strategically they still look to us to be very attractive businesses to be in. Had we not bought Ward White it would have been a mistake", he argues.

Some analysts still harbour their doubts but point out that in a curious way the trauma of Ward White has only highlighted what a strong underlying business Boots possesses. "The key to Boots' figures will be that Boots the Chemists will shine out like a beacon," says Mr John Richards, retailing analyst at County NatWest.

With more than 1,000 outlets on the high street and a near-stranglehold on some sectors of the pharmaceuticals market, Boots' chain of chemists has continued to generate steadily improving margins.

This has in large part been due to the skilful use of computer systems which have helped improve the stores' productivity levels and enabled the company to squeeze greater financial benefits out of its supply chain.

Since the mid-1980s stock turn has come down from 14 weeks to 12¼ weeks and 40 per cent of Boots' goods by volume are now received at a central warehouse and despatched to the stores without entering the central stock list.

But, as Sir James is quick to add, Boots' growth has also resulted from the company's deliberate drive into higher value-added segments of the retail market.

Over the past decade, Boots has developed a strong presence in photograph laboratories, optical goods, cookery products, recorded music, greeting cards, stationery and books.

In terms of sales per square foot these new areas of business may lag behind those of the core pharmaceuticals products but they nonetheless make profitable use of Boots' portfolio of expansive stores.

The company has also reversed 12 consecutive years of decline in supplying drugs to the National Health Service and now commands an 11.5 per cent share of the market. In two years Boots has built up a drugs supply business serving 2,800 nursing homes.

But Boots boasts another weapon in its armoury in the form of its pharmaceuticals business which ranks as the one of the largest drugs company in the UK with sales of £628.8m last year.

Boots is currently benefiting from sales of a string of over-the-counter products such as Nurofen pain-killers, Dequadin throat lozenges, and Mycil fungal creams.

But the company's two prescription pharmaceutical products, ibuprofen and fluriprofen, which are used to treat arthritic and inflammatory conditions, are beginning to struggle in the face of increasing competition.

The pharmaceuticals division now holds out great hopes for Manoplax, a drug designed to treat congestive heart failure, although the crucial approval for the drug from the US Food and Drugs Administration still appears to be some way off.

Sir James accepts that the company may not have been sufficiently aggressive in marketing its drugs in the past but vows "we sure as hell won't make the same mistake with Manoplax".

Many a shareholder has questioned the logic of combining a retailing and pharmaceuticals business and Sir James says he constantly asks himself if he could derive more value by hiving off the drugs business. His answer is: "Maybe, but certainly not now."

The Manoplax factor has undoubtedly helped sustain Boots' share price during the potentially sticky consolidation of Ward White. But the City hopes that in the economic upswing the revamped Ward White businesses will finally begin to justify themselves.

"From a stockmarket viewpoint the troubles with Ward White have almost given Boots an added attraction because it now gives it a recovery angle which it might otherwise not have had," says Richards of County NatWest.

Trevor Humphries

Sir James Blyth: defends rationale for the purchase

Boots

Share price relative to the FT–A Stores Index

Source: Datastream

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY- Indices of industrial production, manufacturing output (1985=100); engineering orders (£ billion); retail sales volume and retail sales value (1985=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s).

	Indl. prod.	Mfg. output	Eng. order*	Retail vol.	Retail value*	Unemployed	Vacs.
1990							
1st qtr.	109.8	119.4	34.3	120.9	132.7	1,612	190.6
2nd qtr.	111.8	120.5	36.8	121.3	140.5	1,612	192.5
3rd qtr.	109.7	118.8	35.2	120.3	141.8	1,653	168.5
4th qtr.	106.8	114.8	32.8	119.1	170.8	1,770	134.6
August	109.3	118.6	35.2	118.4	140.5	1,665	167.8
September	108.1	117.7	35.2	120.2	140.6	1,670	158.2
October	108.1	115.9	34.5	118.0	145.4	1,705	142.6
November	106.5	114.3	34.0	118.4	157.5	1,763	132.4
December	105.9	114.6	32.9	119.7	201.8	1,842	128.7
1991							
1st qtr.	106.5	113.4	31.8	120.1	140.0	1,967	144.7
2nd qtr	105.2	112.5	31.4	118.1	147.7	2,238	112.8
3rd qtr.	106.3	112.8		119.8	148.5	2,418	106.3
January	105.3	114.2	33.2	118.6	136.5	1,882	143.8
February	107.0	112.8	32.7	118.5	136.8	1,968	146.9
March	107.1	113.1	31.8	122.8	144.1	2,091	143.5
April	104.2	112.7	32.1	118.8	148.3	2,174	125.1
May	103.9	112.3	31.7	118.2	148.3	2,241	110.6
June	107.3	112.6	31.4	120.0	148.4	2,300	102.8
July	107.3	113.4	31.9	120.6	152.8	2,368	103.9
August	105.4	112.0	31.8	118.3	147.8	2,425	108.6
September	106.3	112.0		119.5	148.0	2,481	108.4

OUTPUT- By market sector: consumer goods, investment goods, intermediate goods (materials and fuels), engineering output, metal manufacture, textiles, clothing and footwear (1985=100); housing starts (000s, monthly average).

	Consumer. goods	Invest. goods	Intmd. goods	Eng. output	Metal mnfg.	Textiles etc.	Housg. starts*
1990							
1st qtr.	114.6	121.9	103.6	120.3	120.8	96.8	14.3
2nd qtr.	116.3	125.2	106.8	122.7	125.7	97.7	14.1
3rd qtr.	114.1	121.9	101.8	120.0	123.7	95.3	13.0
4th qtr.	112.3	118.9	104.5	115.7	118.7	92.7	11.4
August	114.0	122.1	101.1	120.0	118.0	96.0	13.3
September	113.9	119.1	101.9	118.8	120.0	94.0	12.6
October	113.9	117.2	102.5	117.0	114.0	94.0	13.2
November	111.4	115.4	105.8	114.8	118.8	92.0	11.9
December	111.5	118.6	102.3	116.8	116.0	92.0	9.1
1991							
1st qtr.	110.1	118.0	101.8	114.3	110.0	90.3	12.2
2nd qtr.	108.7	115.7	98.6	112.3	108.7	87.7	14.3
3rd qtr.	109.8	114.3	102.3	118.3		88.3	14.8
January	110.6	119.2	101.1	116.0	119.0	90.0	12.4
February	109.5	117.8	101.9	114.0	108.0	89.0	10.3
March	110.4	117.2	102.5	113.0	112.0	88.8	14.1
April	109.9	116.4	97.8	113.0	106.0	88.8	14.1
May	108.5	115.4	97.5	112.0	110.8	87.0	14.9
June	108.7	115.2	103.6	112.0	111.9	88.0	13.9
July	110.7	118.7	103.9	112.8	108.8	88.0	16.1
August	108.2	114.1	101.3	109.0	110.8	88.5	12.5
September	109.5	113.0	102.6	110.0		88.0	14.9

EXTERNAL TRADE- Indices of export and import volume (1985=100); visible balance (£m); current balance (£m); oil balance (£m); terms of trade (1985=100); official reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms of trade*	Reserves US$bn
1990							
1st qtr.	124.1	144.8	-6,073	-5,263	+368	96.2	38.29
2nd qtr.	126.9	145.1	-5,391	-4,974	+421	96.4	39.01
3rd qtr.	122.8	141.2	-4,036	-2,238	+432	100.1	39.06
4th qtr.	124.9	138.0	-3,176	-1,904	+297	100.2	38.46
August	122.8	148.8	-1,361	-783	+172	100.7	38.30
September	127.6	138.3	-767	-188	+288	102.2	39.06
October	125.4	141.5	-1,206	-782	+71	100.8	38.57
November	126.1	139.3	-1,039	-615	+113	101.3	38.47
December	123.3	133.2	-931	-507	+113	98.5	38.46
1991							
1st qtr.	123.7	136.5	-3,016	-2,600	+209	98.6	42.33
2nd qtr.	127.7	137.5	-2,070	-732	+259	98.1	44.25
3rd qtr.	128.8	139.5	-2,102	-1,502	+395	98.1	44.59
January	119.8	139.4	-1,352	-1,213	-124	99.1	38.37
February	134.9	131.9	-781	-643	+153	98.2	41.79
March	126.5	136.2	-883	-744	+180	98.4	42.33
April	125.3	138.2	-831	-385	+46	98.3	43.59
May	124.6	136.3	-892	-446	+84	98.1	43.71
June	133.3	137.9	-347	+99	+129	97.8	44.28
July	127.3	138.8	-577	-377	+41	97.9	44.63
August	131.8	144.9	-798	-598	+50	98.1	44.89
September	128.8	135.0	-729	-528	+304	98.2	44.59
October							44.25

FINANCIAL-Money supply M0, M2 and M4 (annual percentage change); bank sterling lending to private sector; building societies' net inflow; consumer credit†; Clearing Bank base rate (end period).

	M0 %	M2 %	M4 %	Bank lending £m	BS inflow* £m	Consumer. credit† £m	Base rate %
1990							
1st qtr.	6.0	8.5	18.3	+22,886	1,115	+911	15.00
2nd qtr.	6.9	8.4	17.4	+17,380	2,295	+721	15.00
3rd qtr	4.9	8.1	15.5	+14,432	1,942	+686	15.00
4th qtr	3.3	7.6	13.6	+15,829	1,210	+712	14.00
August	4.5	7.9	15.5	+6,154	623	+196	15.00
September	4.5	7.4	14.7	+4,523	868	+331	15.00
October	3.9	7.5	14.2	+6,978	982	+342	14.00
November	3.2	7.5	14.5	+6,633	-398	+229	14.00
December	2.7	7.9	12.3	+3,311	826	+141	14.00
1991							
1st qtr	2.9	10.3	10.6	+10,587	2,685	+341	12.50
2nd qtr	1.7	11.7	8.1	+8,234	2,535	+321	11.50
3rd qtr	1.8	11.1	7.1	+7,510	738	+54	10.50
January	3.4	9.9	11.2	+4,287	934	+84	14.00
February	2.8	10.2	10.8	+4,806	808	+94	13.00
March	2.5	10.8	9.8	+1,534	543	+183	12.50
April	1.8	11.1	9.9	+3,388	1,337	+305	12.00
May	1.6	12.1	8.8	+2,884	774	-38	11.50
June	2.0	12.9	7.9	+152	444	+22	11.50
July	2.0	11.0	7.7	+3,189	296	+187	11.00
August	1.5	11.5	7.2	+3,821	198	-29	11.00
September	2.2	10.7	6.4	+800	285	-107	10.50

INFLATION-Indices of earnings (1985=100); basic materials and fuels; wholesale prices of manufactured products (1985=100); retail prices and food prices (Jan 1987=100); Reuters commodity index (Sept 18th 1931 =100); trade weighted value of sterling (1985=100)

	Earnings	Basic matls.*	Whsale. mnfg.*	RPI*	Foods*	Reuters cmdty.*	Sterling*
1990							
1st qtr	116.0	105.7	123.1	120.4	116.9	1,836	88.1
2nd qtr.	118.6	103.5	123.7	126.0	118.4	1,904	88.6
3rd qtr.	120.7	102.4	126.8	129.1	119.7	1,802	94.2
4th qtr.	123.6	103.7	128.3	130.1	121.3	1,721	94.1
August	120.7	101.8	128.9	128.1	120.0	1,782	95.3
September	121.5	104.1	127.2	129.3	120.3	1,801	93.8
October	122.3	103.4	127.9	130.3	120.4	1,737	94.8
November	123.3	103.0	128.4	130.0	121.3	1,769	94.2
December	125.0	104.7	128.7	129.9	122.1	1,716	93.3
1991							
1st qtr	126.5	103.0	130.8	130.8	123.6	1,689	93.9
2nd qtr.	128.1	103.4	133.2	133.5	126.1	1,737	91.4
3rd qtr.		101.9	134.1	134.2	126.7	1,880	90.7
January	125.7	104.4	130.2	130.2	122.9	1,683	94.1
February	126.4	102.3	130.7	130.9	124.4	1,669	94.2
March	127.5	102.4	131.6	131.4	124.4	1,715	92.8
April	127.5	103.6	132.9	133.1	125.8	1,787	92.3
May	130.3	103.5	133.4	133.5	125.6	1,721	91.7
June	126.4	103.2	133.4	134.1	126.9	1,754	90.2
July	129.1	102.6	133.8	133.8	126.3	1,721	90.5
August	130.4	101.1	134.1	134.1	126.4	1,862	90.7
September		101.0	134.3	134.5	126.4	1,856	91.0
October		101.8	134.6			1,835	90.5

*Not seasonally adjusted

†Net changes in amounts outstanding, excluding bank loans.

Ensign Trust writes off £42m from portfolio

By Philip Coggan, Personal Finance Editor

A FURTHER £42m write-off from the unquoted portfolio of Ensign Trust, the investment trust, meant a decline in net asset value at September 30 to 38.5p per share, down from 85p a year earlier.

The final dividend is omitted – last year's final was 1p for a 1.3p total – and Mr John Bushell, chairman, said that "the re-establishment of dividend paying capability is an important objective for the managers but is unlikely to be achieved for the current year". The shares dropped 3p to 19p yesterday.

The new managers, Ivory & Sime, who took over from Argosy Asset Management in May, conducted a review of the unquoted portfolio and has revalued the investments therein in accordance with the guidelines of the British Venture Capital Association.

Over the year, shareholders' funds fell from £259m to £118m, with £52m of the decline resulting from write-offs at four companies, Figurehead, Filmtrax, Hamfield Publications and Argosy Asset Management.

The decline in the portfolio means that 63 per cent is now in quoted companies and 37 per cent in unquoted, almost the mirror image of the mix a year earlier. The trust will reduce the weighting of financial services companies in its quoted portfolio.

Mr Bushell said that "the focus of the management's efforts will be on maximising the value of the existing assets and reducing borrowings". Debt was £95m at September 30, compared with £118m at March 31.

"It gives me no pleasure to have to report on such a difficult year in my first chairman's statement," Mr Bushell concluded. "Nor am I in a position to make even encouraging comments about incipient signs of recovery. However, I and my colleagues believe that Ivory & Sime has established a firm foundation for progress."

Exceptionals responsible for Jessups loss so shares improve

By Peggy Hollinger

SHARES in Jessups, the Essex-based motor dealer and vehicle leasing group, rose 10 per cent to 53p yesterday despite a £490,000 pre-tax loss for the year to August 31, after exceptionals, compared to a £1.4m profit last time.

Mr Alan Jessup, chairman, said be considered the group had "not done too badly". He warned, however, that the new car market – which has seen a 20 per cent decline in the UK this year – remained "very, very quiet, and it will be until Christmas and beyond".

The final final dividend is cut to 3p, making a total of 4.5p (7p).

Exceptional charges of £490,000, which pushed the group from break even into the red, arose from cost-cutting and redundancies programme. The measures were expected to slice about £1m from annual operating costs next year.

Turnover for the year to August 31 fell by 14 per cent to £86.5m and the gross profit amounted to £5.97m compared with £7.87m

The group, which operates six dealerships, was hard hit by depressed trading at its two Ford outlets. The three Vauxhall dealerships had performed well "because the product is good", said Mr Alan Jessup, chairman, while the recently reorganised Peugeot dealership had suffered.

However, Peugeot was now "in good trim", he said and "has it all to come".

Margins had been squeezed partly by the lack of marketing money from manufacturers. Car makers, in an effort to attract buyers in a fiercely competitive market, were redirecting the marketing funds to customers as a cash incentive.

Gearing, including the debt obligations on vehicle leasing which Mr Jessup said was passed through to customers, was 130 per cent.

Earnings per share plunged from 6.08p to a loss per share of 10.71p.

Vestey subsidiary picks Schroders as adviser

By Michiyo Nakamoto

UNION INTERNATIONAL, the Vestey Group subsidiary which faces the possibility of breaching its banking covenants, has appointed Schroders as its financial adviser.

The appointment comes as Union, which has short-term loans of about £432m from more than 70 banks, seeks to persuade its banks to continue their support while it undergoes a major restructure.

Union represents roughly half of Vestey Group, one of the UK's largest private companies. It has more than 100 subsidiaries, including the JH Dewhurst chain of butchers.

The group, which is headed by Mr Tim Vestey, general manager and chief executive since June, is likely to be hit this year by a property write-down of £65m, which would reduce its net assets to £130m and raise gearing to about 350 per cent.

The group's bankers, led by Lloyds Bank, are considering whether business plans being proposed by Union are viable or not. If they decide against continuing their support, Union could be placed in administration.

The group's lending needs to be structured on a long-term basis to enable the business to be carried out, Ms Alison Carnwath at Schroders said.

However, with so many banks based all over the world involved, it was likely to take some time before a solution was found, she added.

Tomkinsons declines by 19% to £1.28m

TOMKINSONS, the Kidderminster-based carpet company, yesterday reported a 19 per cent profits decline in the year to September 28.

From turnover down from £24.3m to £21.3m, profits before tax fell by £300,000 to £1.28m. Trading profits also declined by 19 per cent to £1.38m (£1.7m). The interest charge was cut to £99,000 (£118,000).

Mr Lowry Maclean, chairman, said the reductions in sales and profits were regrettable, but, against a background of inordinately difficult market conditions, the achievement of an operating margin of 6 per cent, interest cover of 1.4 times and nil gearing, demonstrated the underlying strength of the group.

Almost all sectors of the group's markets had suffered setbacks.

An unchanged final dividend of 8p is proposed to maintain the total at 11.5p for the year. The dividend is covered 1.2 times by earnings per share of 13.9p (16.6p).

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- BOC, Bank of Ireland, Bogod, Boots, Bristol Evening Post, CST Emerging Asia Trust, Capital Gearing Trust, Cater Allen, Hardy Oil & Gas, Harlstone, Heath (CE), Honda Motor, London & Metropolitan, Midland & Scottish Res., Portsmouth & Sunderland News., Powell Duffryn, Rexmore, 600 Group, Shires Inv. Trust, Staveley Inds., Tie Rack.

Finals- Burton, Dickie (James), Five Oaks Invs., Gleeson (MJ), Honeysuckle, Wellcome.

FUTURE DATES

Interims-	
Associated Farmers	Nov. 15
Hoskins Brewery	Nov. 15
JLI	Nov. 25
Kewill Systems	Nov. 28
Martin Currie European	Nov. 28
Oglesby & Butler	Nov. 18
Seton Healthcare	Nov. 26
Sketchley	Nov. 25
South West Water	Nov. 28
Wilshaw	Nov. 15
Finals-	
Anglo Irish Bank	Nov. 18
Concentric	Nov. 28
Diploma	Nov. 18
Royal Bank of Scotland	Nov. 28
Scottish Inv. Trust	Nov. 28

COMMODITIES AND AGRICULTURE

Impala troubles 'may offset platinum surplus'

By Philip Gawith in Johannesburg

INDUSTRIAL UNREST at Impala Platinum's Bophutatswana operations could cost the South African company 200,000 troy ounces of production this year, possibly offsetting the expected surplus that has been helping to weigh down the market, local analysts believe.

This follows renewed disruption at Impala's four mines this week, with operations coming to a virtual halt on Monday and Tuesday. Yesterday Genmin, Impala's parent company, said about 80 per cent of employees at the Bafokeng North, Wildebeestfontein North and Wildebeestfontein South mines had reported for work. Negotiations at Bafokeng South were continuing while production at the mineral processing plant was said to be continuing as normal.

Although most workers may have returned to work, analysts doubt whether Impala's troubles are over yet. There is wide consensus that there will be no industrial peace until the South Africa-based National Union of Mineworkers and the Bophutatswana government have made their peace. There are still no indications of dialogue between the two, let alone agreement.

Total production losses will depend upon the nature and extent of future disruptions. Earlier this week Mr Michael McMahon, managing director of Impala, said they had lost two weeks of production since their labour troubles first started in July. Given Impala's annual capacity of 1.1m ounces, or 3,000 ounces a day, this suggests that it has already lost more than 40,000 ounces. There is speculation in the industry that the figure could be higher – as much as 25 to 30 per cent of production since July. Impala has acknowledged that it is buying platinum in the futures markets to ensure that it can meet its contractual commitments.

There are differing interpretations among analysts as to why the platinum price has not reacted more, given that Impala supplies, at a conservative estimate, 25 per cent of the world's platinum. Mr Dave Russell of Irish Menell Rosenberg says the continued weakness of the price is evidence that Impala has not yet had any trouble in meeting its commitments, and that the market remains well supplied. Mr John Clemmow, of George Huysamer, believes this testifies to fundamental weakness of the price. "God help the platinum price when the strike is over," he says.

Less pessimistic is Mr Keith Bright from Edey Rogers. He says he is very surprised that the price has not reacted more favourably to Impala's difficulties, saying this confirms that the spot-price bears little relation to supply-demand fundamentals. The volume of platinum traded on world futures markets is many hundreds of times annual physical production. Mr Kevin Kartun, of Max Pollak Vinderine, says Impala's troubles are overshadowed by recessionary economic conditions worldwide.

Typhoon halts copper smelting in Philippines

By Greg Hutchinson in Manila

COPPER SMELTING in the Philippines has stopped as a result of floods from last week's typhoon, which cut electricity supplies to the country's only refinery.

The Philippine Associated Smelting and Refining Corporation (Pasar) said it did not know when production would resume, but round-the-clock work was being undertaken by the National Power Corporation to restore power supplies to Leyte, where the smelter is located.

No definite schedule had been given, Pasar said. Electricity supplies were cut on November 5 when typhoon Thelma hit Leyte island and unleashed floodwaters that left an estimated 6,000 people dead.

Pasar's losses as of November 13 are estimated at 14 days' production, as it would take the smelter an additional five days from the restoration of electric power to restart operations.

The refinery, which currently is being expanded and modernised, has annual capacity of 140,000 tonnes of copper cathode. The Philippines' main markets are Japan, Taiwan and South Korea.

At the completion of the plant's modernisation next October, the refinery will be the fourth largest in the Asia-Australia region, contributing revenues of US$425m a year.

● Cyprus Minerals was yesterday assessing damage to its 450,000-tonnes-a-year Miami copper smelter, put out of commission by a break-out of molten copper in an electrical furnace early this week.

Shell-Chile embarrasses copper plan partners

By Leslie Crawford in Santiago

AN ANNOUNCEMENT by Shell-Chile that it was ready to spend $1bn to develop a new copper mine has seriously embarrassed its partners, Chevron of the US and Falconbridge of Canada, who believe the Coyahuasi project in northern Chile is still in its infancy.

Mr David Turner, president of Shell-Chile, told El Mercurio, Santiago's leading daily, that the Coyahuasi deposit, 4,300 metres above sea-level near the Bolivian border, could produce 300,000 tonnes of fine copper a year. It would cost $1bn to bring the mine into production.

"We originally envisioned a project about one-third of the size, but we are finding more and more copper," he was quoted as saying.

But Mineral Coyahuasi, the joint-venture set up by Shell, Chevron and Falconbridge, would not confirm Mr Turner's statement. Nor would it say whether a firm investment decision had been taken to develop Coyahuasi. "We have been forbidden to give any information," an executive said. Mr Turner was also unavailable for further comment.

The company's reticence may be due to the frenetic race under way to start big copper projects in Chile. La Escondida, the $900m mine owned by BHP of Australia, RTZ and a Japanese consortium led by Mitsubishi, is one year old this month. Phelps Dodge of the US has decided to spend $500m to develop the La Candelaria deposit in the Atacama desert. Outokumpu of Finland is close to taking a decision on its Zaldivar deposit, which will require $300m to bring into production. Cominco of Canada is negotiating the financial package for its $300m Quebrada Blanca operation.

In addition, Codelco, the Chilean state copper corporation, wants to invest $271m to develop a new ore body close to Chuquicamata, the world's biggest copper mine. Exxon of the US is also spending $400m to lift output at its Los Bronces mine north of Santiago.

All these projects will raise Chile's copper production by at least 800,000 tonnes in the second half of the decade – a 50 per cent jump over current output.

The wealth of projects, however, has led to a fierce competition for investment funds, and late-comers such as Coyahuasi may find themselves at a disadvantage. Analysts believe Coyahuasi needs at least another year of exploration work before embarking on a feasibility study. A final decision on the project is not expected before 1993.

Milk Marketing Board proposals 'out of date'

By David Blackwell

THE UK MILK Marketing Board's proposals for turning itself into a voluntary co-operative – submitted to the Ministry of Agriculture in March – have finally reached the Dairy Trade Federation, which yesterday described them as "out of date".

Mr Brian Smith, DTF president, said many of the ideas had been overtaken by events, and in any case the proposals were still incomplete. "They are dated June 1990, and a lot of water has gone under the bridge since then," he said.

While the DTF will be seeking an early meeting with the board, the debate on the future of the monopoly appears as far from resolution as ever. Earlier this week Mr Charles Runge, the MMB chief executive, resigned, complaining that the pace of change had been too slow. Mr Runge, who joined the board in 1988, had been expected to change the board from the largely administrative monopoly it has run since 1933 to a market-driven body.

Mr Smith said yesterday that the resignation was a disappointment. The board's continual changes at the top "do not help the continuity between the two sides of the industry."

Last week Mr John Gummer, the Minister of Agriculture, criticised the lack of progress made by the MMB and the dairy trade towards reforming themselves.

Analysts said yesterday Mr Runge had started off hoping to drag the board "kicking and screaming into the second half of the 20th century." But he became increasingly marginalised, and is thought to have been excluding from talks with the ministry and the European Commission.

The tussle between the reformers and the supporters of the old monopolistic system remains unresolved, they said.

The government has the power to legislate abolition of the monopoly and its replacement with something more in the spirit of 1992 and the European Community's single market. But it has restricted itself to urging the participants to introduce changes themselves. In this atmosphere very little has happened.

The board legally holds the right of first refusal on all liquid or whole milk produced in the UK. But farmers and dairies have been circumventing the scheme by tapping into the demand for skimmed and semi-skimmed milk which now form about a third of the UK market. They contracted with independent processors to separate the higher added value milk and sell it themselves.

The MMB took action against these farmers and dairies, but the EC last month sent the UK Ministry of Agriculture a "reasoned opinion" supporting them. Mr Gummer last week rejected the "reasoned opinion," and the EC could now take the matter to the European Court.

Mr Gummer said he was seeking an orderly transition for the MMB, and was "not prepared to allow the present system to collapse into chaos." But he warned the industry to be prepared for the EC to seek an interim court ruling which the board would have no option but to obey. Analysts said yesterday that such a ruling would leave the board under intense pressure as farmers and dairies would then be able to continue operating outside the MMB scheme.

However, some observers believe the EC could take no action, calling Mr Gummer's bluff. It is thought to suspect that he wants the board censured, and would rather have Brussels do the job for him.

Keeping gold sales up to the mark

Kenneth Gooding on a new strategy to boost the metal's share of the jewellery market

GOLD PRODUCERS are launching an international promotional symbol, similar in concept to the Woolmark, to help boost the precious metal's share of the jewellery market.

The World Gold Council, the producers' organisation, has registered the new Goldmark in 60 countries and the symbol is being introduced in North America and Europe during the important Christmas sales period.

The Goldmark will then be launched in Japan and south-east Asia in the first quarter of 1992.

TARGETED MARKET CLUSTERS (with strategic weights)

Kanto (Greater Tokyo) Japan	100	London, UK	10
New York, US	55	Philadelphia, US	10
Kansai, Japan	50	Detroit, US	10
Los Angeles, US	35	Miami, US	5
South Italy	30	Boston, US	5
Chukyo, Japan	30	San Diego, US	5
North-west Italy	25	Atlanta, US	5
South-east UK	20	Barcelona, Spain	5
Paris, France	20	Madrid, Spain	5
San Francisco, US	20	Toronto, Canada	5
Chicago, US	20	Mediterranean	5
Central Italy	20	Midlands, UK	5
Washington, US	15	West France	5
North east Italy	15		

Source: World Gold Council

The WGC has linked with a broad range of jewellery retailing groups to promote the symbol – it will be used at about 3,700 shops in North America alone – and will spend about $2m on print advertising in national US magazines. The council will share the cost of television advertising with jewellery retailers in key target areas in the US and Europe.

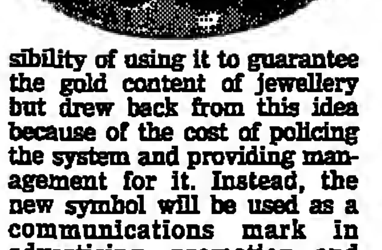
Mr Elliot "Chic" Hood, chief executive of the Geneva-based council, sees the Goldmark as "a really significant strategic move towards more effective gold jewellery promotion. It has the potential to provide huge added value to gold jewellery promotional activities once it is established and recognised as the mark for gold worldwide".

The WGC is backed by nearly 100 gold-producing companies from 14 countries – including Russia – which pay a levy of $2.50 for every ounce of gold they produce. At present the council puts most of its efforts behind gold jewellery promotion because for many in the industry healthy jewellery demand is a matter of commercial life and death.

Last year jewellery absorbed a record 1,986 tonnes of gold, according to the Gold Fields Minerals Services consultancy group, or more than all 1,734 tonnes newly mined in the western world.

The new Goldmark was designed for the WGC by Landor Associates of New York. It features a variation of the "infinity" symbol and incorporates the word "gold" on an oval background.

The council explored the possibility of using it to guarantee the gold content of jewellery but drew back from this idea because of the cost of policing the system and providing management for it. Instead, the new symbol will be used as a communications mark in advertising, promotion and retail point-of-sale.



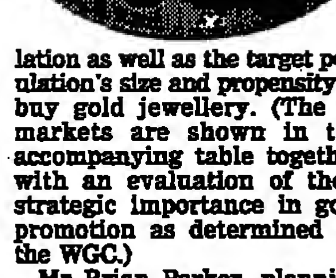
Launch of the Goldmark coincides with a change in the WGC's strategy in the light of low gold prices and the virtual disappearance of investor demand for gold bullion bars and coins in North America and Europe. Total funds for promotional work spent under the WGC's aegis have increased from $66.4m in 1988, when the council was set up to take over from Intergold – which was backed exclusively by South African gold producers – to $81.7m last year. During that time the proportion contributed by the gold trade in partnership with the producers rose from 27 to 30 per cent.

But this year's budget is about $75m and even the key jewellery promotion budget has been cut by 16 per cent from the 1990 level.

Previously the council's operating strategies were broadly focused on the US, Japan, France, Germany, Italy and the UK as the six most important national jewellery markets. Now it has switched its attention from broad national markets to concentrate on specific metropolitan areas, a number of which do not fall within any of the six former target markets.

WGC has identified 27 metropolitan "market clusters" and has given each a strategic weighting in terms of its importance to the council's promotions strategy.

The evaluation recognised, among other things, that nearly 80 per cent of gold jewellery will be worn by women and that women influence, in one way or another, some 80 per cent of gold jewellery purchase decisions. There has also been the emergence of independent working women with better-paid jobs. The "clusters" were also chosen by assessing the ease with which promotional funds could be converted into sales and the area's gold consumption per head of population as well as the target population's size and propensity to buy gold jewellery. (The 27 markets are shown in the accompanying table together with an evaluation of their strategic importance in gold promotion as determined by the WGC.)



Mr Brian Parker, planning manager, jewellery, says the 27 "clusters" contain 62.5m target consumers or 37 per cent of the total. He admits this misses out some potentially valid areas such as Kyusha or Nagasaki in Japan, the north of England and Scotland as well as the whole of Germany – excluded because gold jewellery sales (in terms of tonnage of gold) grew by only 29 per cent in the 1980s while they were doubling in Europe as a whole.

However, his chief executive, Mr Hood, points out: "The new plan has two central thoughts: that resources should be very precisely applied to those places and target audiences that offered the best returns and, two, that results should have a much shorter-term orientation".

The gold producers that back it seem convinced that the WGC's efforts so far are being rewarded. For example, Mr Hugh Morgan, chief executive of Western Mining of Australia and a former chairman of the council, points out that in those developed-industrialised countries where the WGC has been active, gold jewellery sales have jumped by 35 per cent in the past four years. In similar markets where it has not been promoting gold the increase was only 14 per cent.

Many producers agree with Mr Peter Munk, chairman of American Barrick Resources, the Canadian group, which will soon be paying more than $2.5m in levies to the WGC. He says: "How can you produce something without promoting it? Nobody else does. Why shouldn't the gold mining industry have some selling costs?

"The days when the French farmer and my father's generation supported gold out of sheer fear of inflation have gone. So gold producers must promote the desirability of gold to get jewellers to use more of it.

"No industry in the world spends less than 1 per cent of turnover to promote its product as we do. If it were up to me we would be paying $10 an ounce to the World Gold Council for more promotional work."

WORLD COMMODITIES PRICES

MARKET REPORT

Early gains in aluminium on the LME yesterday were trimmed in the afternoon as rumours of an impending production cut by a big US producer remained unconfirmed. Tin closed above contract lows after short covering emerged in the afternoon. Bearish sentiment was encouraged by news of the sale of 120 tonnes from the US strategic stockpile and of Brazil's decision to allow a group of companies to mine at Bom Futuro. Nickel staged a recovery from Tuesday's 20-month lows, partly on overnight news that Soviet producer Norilsk plans to cut production by 10 per cent. *However, some dealers doubted* that Norilsk would cut production significantly, given the pressing need for hard currency in the Soviet Union. Also, there is plenty of physical metal off-warrant in Europe, they said. In Chicago wheat futures were higher at midsession on poor growing conditions in Kansas and a bullish USDA crop report. Although the US administration said President Bush would not be announcing a Soviet aid package during a speech in Kansas City yesterday afternoon, many traders believed an announcement would be made sooner than later. Such speculation could be supporting the market, traders said.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$17.95-8.05	+.175
Brent Blend (dated)	$21.35-1.45	+0.25
Brent Blend (Jan)	$21.20-1.25	+0.15
W.T.I. (1 pm est)	$22.50-2.55	+0.15

Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$241-243	+4
Gas Oil	$212-213	
Heavy Fuel Oil	$90-91	+1.5
Naphtha	$224-226	+0.5
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)♣	$356.20	+1.0
Silver (per troy oz)♣	404.9c	+1.4
Platinum (per troy oz)	$364.00	+2.0
Palladium (per troy oz)	$85.50	+0.5
Copper (US Producer)	109.5	+0.29
Lead (US Producer)	37.0	
Tin (Kuala Lumpur market)	14.74r	-0.08
Tin (New York)	255.50	
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	103.26p	-0.67*
Sheep (dead weight)†	148.03p	14.07*
Pigs (live weight)†	80.98p	+4.93*
London daily sugar (raw)	$218.0x	-3.5
London daily sugar (white)	$278.0x	-4
Tate and Lyle export price	£231.0	-1.5
Barley (English feed)	Unq.	
Maize (US No. 3 yellow)	£141.25	
Wheat (US Dark Northern)	£101.0	
Rubber (Dec)♥	51.50p	-0.25
Rubber (Jan)♥	51.50p	-0.25
Rubber (KL RSS No 1 Dec)	224.0m	-1.0
Coconut oil (Philippines)§	$610y	-5
Palm Oil (Malaysian)§	$365.0u	-2.5
Copra (Philippines)§	$397.5	+2.5
Soyabeans (US)	£147.50	+0.5
Cotton "A" index	63.40	+0.05
Wooltops (64s Super)	398p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Nov/Jan t-Sep/Dec u-Jan/Mar x-Nov/Dec y-Dec/Jan z-Dec †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
Dec	187.00	194.00	194.00	187.00
Mar	182.00	187.80	187.20	180.00
May	183.00	188.80	185.20	182.00
Aug	187.80	193.00	191.00	188.20
Oct	184.00		189.80	185.20
White	**Close**	**Previous**	**High/Low**	
Dec	278.2	280.2	281.0	274.5
Mar	271.7	278.2	276.5	271.0
May	271.8	275.7	278.0	271.5
Aug	274.7	278.8	278.9	274.0
Oct	250.8	253.8	254.1	250.0
Dec	249.1		252.6	249.0
Mar	249.1	252.3	249.5	248.9

Turnover: Raw 890 (254) lots of 50 tonnes. White 1970 (2186)
Paris- White (FFr per tonne): Dec 1542.76, Mar 1544.23

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low	
Dec	21.43	21.27	21.59	21.40
Jan	21.17	21.12	21.36	21.15
Feb	20.90	20.87	21.08	20.88
Mar	20.69	20.57	20.79	20.69
Apr	20.45	20.35	20.52	20.35
May	20.25	20.10	20.40	20.25
Jun	20.05		20.06	
IPE Index	21.38	21.58		

Turnover 18728 (33412)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low	
Dec	211.00	211.25	214.25	210.75
Jan	210.50	211.00	214.00	210.25
Feb	204.00	203.50	207.25	204.00
Mar	197.00	196.00	199.50	196.75
Apr	190.00	189.00	192.50	188.75
May	183.25	182.75	185.75	183.00
Jun	179.50	177.50	180.75	179.50

Turnover 15836 (27402) lots of 100 tonnes

WOOL

After another surge ahead at opening Australian sales this week, mainly affecting finer merino wools, the market had a steadier appearance yesterday. The market indicator was practically unchanged at 559 which is slightly ahead of its unexpectedly sharp peak a couple of weeks ago. The outlook for wool prices this season is considered to be much better after the ups and downs of the past three weeks. If the season's average works out at 550 cents or above the longer term production prospect is of a decline but not widespread financial failure among wool growers.

COCOA – London FOX £/tonne

	Close	Previous	High/Low	
Dec	736	735	738	733
Mar	775	774	776	772
May	799	798	801	797
Jul	824	822	824	821
Sep	845	844	846	843
Dec	871	872	871	868
Mar	897	897	897	
Sep	945		946	945

Turnover: 5278 (2829) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Nov.12 935.36 (934.37) 10 day average for Nov.13 943.03 (941.81)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low	
Nov	562	556	580	552
Jan	574	573	578	568
Mar	556	555	556	550

Turnover:1025 (838) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Nov.13: Comp. daily 63.83 (63.72) 15 day average 63.35 (63.41)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low	
Apr	132.9	130.8	133.0	130.7
May	149.0		148.2	

Turnover 149 (92) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Doc	127.50		127.50
Feb	129.00	128.70	129.00
Apr	129.00	128.50	129.00
Aug	124.00		124.00

Turnover 70 (190) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low	
Nov	1598		1615	1600
Dec	1605	1640	1620	1605
Jan	1636	1655	1650	1635
Apr	1645	1668	1655	1640
Jul	1532	1445	1535	
BFI.	1630	1639	1630	

Turnover 248 (304)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low	
Nov	119.25	118.70	119.35	119.00
Jan	122.60	122.20	122.60	122.40
Mar	126.10	125.65	126.15	125.80
May	129.10	128.70	129.10	128.90
Jun	130.35	129.95	130.25	130.15
Barley	**Close**	**Previous**	**High/Low**	
Jan	118.25		118.25	
Mar	121.40	121.00	121.30	

Turnover: Wheat 454 (125), Barley 10 (26).
Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Nov	102.0	102.0	101.5
Jan	99.0	98.0	98.0
Feb	104.5	103.0	104.0
Mar	105.5		105.0
Apr	106.0	106.0	105.0
May	105.0	106.0	105.0

Turnover:109 (33) lots of 3,250 kg

MGMI – London FOX

	Close	Prev.	High	Low	Vol
Indx	134.66	133.28			

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 17,596 lots
Cash	1138-39	1132-3		1143.5-4.5		
3 months	1166-67	1160-61	1172/1163	1171-2	1165-6	135,926 lots
Copper, Grade A (£ per tonne)						Total daily turnover 28,640 lots
Cash	1348-50	1339-40	1350/1346	1349.5-50.5		
3 months	1325.5-6	1319.5-20	1327.5/1323	1326-6.5	1322-23	106,193 lots
Lead (£ per tonne)						Total daily turnover 2,012 lots
Cash	278-78.5	278-9		279-8.5		
3 months	290-90.25	290-0.25	291/290	290.75-1.0	290.5-1.0	13,319 lots
Nickel ($ per tonne)						Total daily turnover 2,225 lots
Cash	7295-305	7240-60	7265	7260-65		
3 months	7355-65	7310-20	7385/7330	7330-40	7350-55	18,798 lots
Tin ($ per tonne)						Total daily turnover 3,195 lots
Cash	5510-15	5515-25	5515/5460	5460-65		
3 months	5565-70	5575-77	5570/5520	5525-30	5555-5560	4,909 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 6,438 lots
Cash	1049-50	1032-34	1048.5	1048-8.5		
3 months	1066-67	1050-51	1086/1051	1065-5.5	1065-65.5	33,054 lots

LME Closing £/$ rate:
SPOT: 1.7707 3 months: 1.7484 6 months: 1.7267 9 months: 1.7076

LONDON BULLION MARKET
(Prices supplied by N.M.Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	355.95-356.45	
Opening	356.50-356.90	
Morning fix	356.45	201.327
Afternoon fix	356.55	200.591
Day's high	357.00-357.30	
Day's low	355.40-356.10	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.51	6 months	4.42
2 months	4.58	12 months	4.32
3 months	4.50		

Silver fix	p/fine oz	US cts equiv
Spot	228.55	404.90
3 months	234.60	410.05
6 months	239.95	414.75
12 months	251.80	425.55

GOLD COINS
(Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	356.50-357.50	200.50-201.00
Maple leaf	366.50-367.50	206.25-206.75
New Sovereign	87.00-88.00	49.00-49.50

TRADED OPTIONS

Coffee	Jan	Mar	Jan	Mar
500	76	62	2	7
550	36	30	11	25
600	12	12	38	57
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
725	19	72	7	21
750	6	57	21	31
775	2	74	40	43

Brent Crude	Jan	Feb	Jan	Feb
2150	38	45	56	63
2200	20	30	92	
2250	8		132	

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Nov	356.6	355.9	0	0
Dec	357.3	356.7	358.2	356.4
Jan	358.8	358.2	0	0
Feb	360.1	359.5	361.1	359.3
Apr	362.5	361.9	363.2	361.7
Jun	365.0	3364.4	365.6	364.9
Aug	367.7	367.1	368.2	368.1
Oct	370.3	369.7	0	0
Dec	373.1	372.5	373.7	373.0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jan	365.4	364.4	366.8	364.5
Apr	368.2	367.2	369.0	368.5
Jul	371.0	370.0	0	0
Oct	377.0	376.0	378.0	378.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Nov	403.8	402.6	402.5	402.5
Dec	404.8	403.8	408.5	401.0
Jan	406.4	405.4	0	0
Mar	410.7	409.7	412.0	407.0
May	414.8	413.7	415.0	411.0
Jul	418.4	417.3	420.0	416.0
Sep	422.5	421.4	0	0
Dec	428.5	427.5	427.5	427.0
Jan	430.7	429.8	0	0
Mar	435.0	434.2	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	105.20	105.00	105.70	104.80
Dec	104.35	104.60	105.30	104.20
Jan	103.80	103.90	103.95	103.95
Feb	103.20	103.50	103.80	103.25
Mar	102.70	103.00	103.50	102.60
Apr	102.05	102.35	0	0
May	101.50	101.80	102.10	101.50
Jun	101.05	101.35	101.60	101.60
Jul	100.60	100.90	101.25	100.80
Aug	100.20	100.50	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Dec	22.62	22.50	22.82	22.57
Jan	22.46	22.38	22.64	22.40
Feb	22.20	22.13	22.35	22.18
Mar	21.94	21.89	22.07	21.91
Apr	21.67	21.65	21.80	21.66
May	21.50	21.45	21.59	21.43
Jun	21.30	21.27	21.38	21.31
Jul	21.19	21.13	21.22	21.17
Sep	20.97	20.92	21.00	20.96

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Dec	6650	6656	6768	6630
Jan	6691	6712	6810	6675
Feb	6580	6539	6685	6560
May	5825	5790	5860	5810
Aug	5730	5690	5730	5730

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	1199	1204	1210	1198
Mar	1264	1265	1271	1263
May	1300	1300	1303	1296
Jul	1334	1335	1338	1334
Sep	1359	1360	1363	1360
Dec	1394	1395	1402	1396
Mar	1429	1430	0	0
May	1452	1453	1460	1460
Jul	1472	1473	0	0
Sep	1500	1496	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	79.25	79.00	79.40	78.80
Mar	83.25	82.85	83.30	82.75
May	85.80	85.25	85.80	85.30
Jul	88.15	87.95	88.40	87.85
Sep	91.25	90.80	90.90	90.25
Dec	95.00	94.15	0	0
Mar	97.50	97.85	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	8.27	8.56	8.51	8.22
May	8.26	8.50	8.46	8.22
Jul	8.27	8.45	8.40	8.18
Oct	8.28	8.45	8.38	8.15
Mar	8.27	8.42	8.36	8.22

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Dec	57.52	58.42	57.79	57.26
Mar	58.30	60.49	58.70	58.25
May	59.87	61.03	60.25	59.90
Jul	60.62	61.70	60.90	60.60
Oct	62.77	63.27	62.95	62.77
Dec	63.10	63.59	63.30	63.00
Mar	64.55	65.02	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	170.90	168.70	171.00	168.70
Jan	176.65	171.80	176.80	171.40
Mar	176.55	172.10	177.10	171.60
May	177.50	172.50	173.00	171.75
Jul	177.15	172.15	173.50	173.50
Sep	174.00	171.85	174.00	174.00
Nov	161.25	160.85	0	0
Jan	160.45	160.35	0	0
Mar	160.45	160.35	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Nov.13	Nov.12	mnth ago	yr ago
1625.0	1625.0	1624.4	1699.4

DOW JONES (Base: Dec. 31 1974 = 100)

	Nov.12	Nov.11	mnth ago	yr ago
Spot	112.86	112.52	114.18	123.73
Futures	121.45	121.17	122.82	127.18

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Nov	556/2	549/2	557/0	550/4
Jan	557/4	549/0	558/6	552/2
Mar	565/4	557/4	567/0	560/4
May	573/6	568/8	575/4	569/4
Jul	581/2	574/4	583/0	578/0
Aug	583/0	578/0	583/0	580/0
Sep	578/4	571/4	579/0	576/0
Nov	578/2	574/0	579/0	576/4
Jan	587/4	583/0	0	0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Dec	18.87	18.73	18.96	18.75
Jan	18.99	18.87	19.11	18.90
Mar	19.28	19.21	19.43	19.23
May	19.58	19.48	19.73	19.53
Jul	19.85	19.78	20.02	19.84
Aug	20.00	19.95	20.15	20.00
Sep	20.12	20.10	20.27	20.12
Oct	20.11	20.15	20.30	20.11
Dec	20.60	20.45	20.50	20.45

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Dec	180.9	178.2	181.6	179.0
Jan	178.9	176.1	179.5	177.0
Mar	178.7	174.6	177.6	175.2
May	175.7	173.3	176.3	174.3
Jul	178.9	173.3	176.0	174.3
Aug	175.2	173.0	176.2	174.5
Sep	175.8	173.6	176.0	174.5
Oct	185.2	183.7	186.5	184.4
Dec	185.7	184.5	186.5	185.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	246/0	243/2	246/0	244/0
Mar	255/6	252/6	255/6	253/2
May	262/4	259/2	262/6	260/2
Jul	267/4	264/2	267/6	265/2
Sep	260/0	257/6	260/2	259/0
Dec	257/0	255/2	257/0	255/4
Mar	264/0	262/0	0	0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	352/4	347/2	352/6	347/4
Mar	353/4	347/6	353/6	348/0
May	338/0	332/6	338/4	334/0
Jul	321/0	316/2	321/0	318/6
Sep	326/0	321/0	326/0	326/0
Dec	335/0	330/2	336/0	332/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	74.95	75.25	75.50	74.80
Feb	75.05	75.47	75.80	74.90
Apr	74.85	74.92	75.20	74.80
Jun	70.57	70.85	71.05	70.50
Aug	68.60	68.95	69.25	68.60
Oct	69.50	69.60	69.85	69.50
Dec	70.60	70.60	70.80	70.80

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Dec	41.85	42.12	42.05	41.60
Feb	42.82	43.10	42.97	42.57
Apr	40.95	40.77	40.80	40.60
Jun	45.45	46.55	45.47	45.27
Jul	45.42	45.55	45.55	45.25
Aug	44.32	44.42	44.35	44.15
Oct	41.12	41.20	41.25	41.05
Dec	41.80	41.40	41.60	41.30

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	39.67	40.47	40.75	39.35
Mar	39.62	40.40	40.60	39.00
May	40.56	41.60	41.65	40.25
Jul	41.45	42.25	42.40	41.05
Aug	40.02	40.67	41.00	40.02

LONDON STOCK EXCHANGE

Currency nerves depress share prices

By Terry Byland, UK Stock Market Editor

CONCERN over sterling, and the latest economic statistics both in the UK and across the Atlantic, brought a shift in confidence in the London stock market yesterday. The gains of the previous session were eliminated as sterling slipped to challenge the DM2.90 level, undermining hopes that base rates can be cut tomorrow when the latest inflation data are released. Wider economic sentiment was dented by news that UK industrial output fell by an annualised 1.7 per cent in September. A final discouragement came when Wall Street fell 14 Dow points in early trading after the announcement of increased US producer prices last month.

The continued weakness in domestic industrial production dealt a further blow to the City's hopes that the economic recession is bottoming out. Nervousness over prospects for the Christmas selling season, the mainstay of the retail trade, unsettled store shares.

Account Dealing Dates		
*First Dealings:		
Oct 28	Nov 11	Nov 25
Option Declarations:		
Nov 7	Nov 21	Dec 5
Last Dealings:		
Nov 8	Nov 22	Dec 6
Account Day:		
Nov 18	Dec 2	Dec 16

*New-time dealings may take place from 8.30 am two business days earlier.

After opening lower as Tuesday's base rate optimism blew itself out, the stock market turned lower in moderate selling pressure. The corporate scene was quieter yesterday but comments on the business outlook from Reuters, the global communications group, discouraged the London market.

Share prices were easier from the opening and, with the premium on the FT-SE December futures contract narrowing sharply, losses were soon extended. There was no effective improvement during the session and share prices ended very near the day's low, with the pound still weak in late trading.

The FT-SE Index closed 29 points down at 2,546.5. The loss of the Footsie 2,550 mark disappointed the equity market chartists, some of whom fear a further setback from this level.

Trading volume remained relatively light yesterday, when the Seaq-reported total reached 452m shares. The 513.6m total of the previous session reflected customer, or retail, business worth only £693.6m, according to Stock Exchange statistics. Low retail volume in equities remains a serious problem for the London-based securities industry. The City fears another round of staff cutbacks by securities firms.

The blow to interest rate hopes delivered from the foreign exchange markets inspired falls in consumer issues ranging from the store groups to the breweries. Similar factors lay behind a setback among building and construction issues although here the general picture included continuing speculation that a Continental company plans a bid foray into the London market.

The international blue chips drew little benefit from the currency markets but were unsettled by the indications of recessionary pressures in the US. ICI gave ground and Reuters fell sharply on the company's comments on the outlook.

Dividend worries continued to unsettle investment views on the equity market in the wake of comments last week from the Governor of the Bank of England. Mr Trevor Laugharne at Kleinwort Benson Securities said that many company boardrooms will be reconsidering dividend policies in the light of lower inflation and the Governor's remarks. British Steel, which focused attention on its dividend prospects this week in its report of a heavy fall in interim profits, steadied yesterday as a few buyers at last put in an appearance.

Setback for Reuters

AN international conference held by Reuters for securities houses and institutions in the US led to sharp falls for the shares in London and in New York, where they are traded in the form of American depositary receipts (ADRs).

The conference was conducted by telephone from London and hosted by Mr Peter Job, Reuters' chief executive. It contained few surprises, but there was a reminder that income would be held down next year and also a strong suggestion that Reuters was considering acquisitions in previously uncharted territory.

It was held after the market closed in London on Tuesday but the ADRs declined by $1, and when London opened yesterday the shares fell sharply. They recovered, but only to fall back in the afternoon on further US weakness to close 46 down on the day at 920p. Turnover came to 2.1m, heavy for the stock.

In the UK, Kleinwort Benson and James Capel were said to have turned bearish on the stock. Capel said it did not alter its stance. However, it is a traditional bear of the shares and was last night sending out to clients a substantial document on the prospects for the company's trading systems. Kleinwort shifted its view from long-term buy to trading sell and long-term hold.

In New York, Goldman Sachs was said to have cut its 1992 estimate for Reuters from £396m. However, Mr Eric Philo of Goldman stressed that he still regarded the company as a buy and had held his forecasts. On the other hand, US broking house Bear Stearns, also cited as a seller, said that after the conference it decided the outlook was "not as positive as previously thought". Yesterday, by midday New York time, Reuters ADRs were down $1¼ at $49¼ in reasonably heavy trade.

Ratners weak

Ratners continued its rapid descent, with more brokers said to have moved profits expectations for the jewellery group sharply lower after similar moves earlier this week.

At their worst Ratners fell to 45p before steadying to close 8 off at 49p. The shares began the week at 70p and at their peak in mid-1987 were near the 400p level. Turnover expanded to 7.3m, far in excess of average levels.

The shares have been ravaged by worries about the possibility of poor sales in the run-up to Christmas and there are lingering fears that Ratners' dividend may be cut.

Steetley alert

The market was rife with stories that a long-mooted bid for Steetley, the building materials group, was imminent. The stock has risen from around 270p to the current level in little more than three weeks as talk of a takeover have circulated in the market.

Steetley shares climbed 13 to 330p yesterday, with speculators said to have paid up to 334p for stock. Turnover amounted to 1m shares, well down on recent bid-inspired levels which included more than 3m changing hands on Monday.

Redland was the speculators' favourite to launch an offer for Steetley but building sector specialists now discount that angle. However, Redland was still put forward as a possible "white knight" against an unwanted bid from the Continent. "The company would undoubtedly prefer marriage to rape," said one analyst.

Overseas predators mentioned yesterday included Lafarge and Imetal. The latter, the fourth largest French building materials company, was seen as a credible bidder and is already involved in a joint venture with Steetley.

News that SmithKline Beecham had to withdraw 5m bottles of Lucozade from shops throughout the UK, following a suspected plot by animal rights activists to contaminate the drink, depressed the shares. The "A" stock fell 14 at the start of trading but picked up slowly to finish a net 10 off at 808p. The fall was mainly the result of negative sentiment rather than genuine trading worries as Lucozade constitutes less than 2 per cent of the company's sales.

The slide suffered by Fisons following recent profit forecast cuts appeared to abate. The shares, which stood at 458p at the beginning of the month, recovered 7 yesterday to 419p.

British Borneo shares returned from suspension, closing at 216p compared with a pre-suspension level of 228p, after the group revealed that it had bought Norsk Hydro's UK oil and gas interests for £57.7m, funded by a placing of 27m British Borneo shares at 205p apiece.

Analysts were positive on the deal. Mr Keith Morris at Carr Kitcat & Aitken said the transaction "kicks British Borneo into the front rank of exploration and production stocks, with the added bonus that British Borneo offers a useful yield of just over 4 per cent".

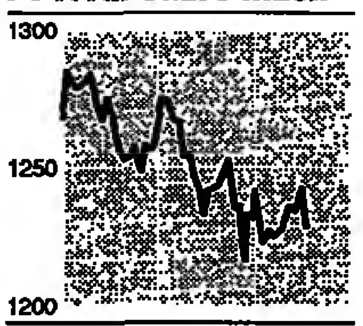
Aran Energy, which dipped below the 20p mark at one point on Tuesday amid unwarranted stories of a rights issue, recovered 3 to 23p. The company is thought to be close to revealing details for the funding of its interest in the Alba field.

Shell, scheduled to announce third-quarter figures today, lost 11 to 504p on 2.4m shares traded; estimates of historic cost net income range from £540m to £740m, with the replacement cost range extending from £510m to £590m. The performance of the group's struggling chemicals operations will be scutinised very carefully, specialists said.

Burmah-Castrol, still reflecting a hefty profits downgradeby Nomura, weakened a further 15 to 535p.

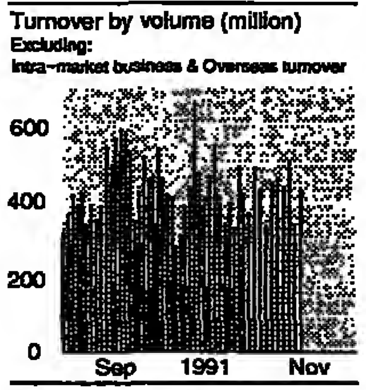
The Lasmo-Ultramar bid battle moved a step further as Lasmo shareholders gave an emphatic thumbs up to the Lasmo board, with almost all attending the egm voting in favour of the bid. Lasmo eased 3 to 311p, while Ultramar dipped 3¼ to 343½p.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



Tuesday's rally in Royal Insurance, the composite insurance group regarded as the worst affected by substantial losses in the UK mortgage indemnity market, was a short-lived affair. Royal shares dropped 18 to 291p ahead of today's third-quarter figures, which the market hopes will be accompanied by a comprehensive run-down on Royal's exposure to mortgage indemnity.

Food retailers were upset by two factors: firstly the latest supermarket price war instigated by Asda, and secondly by the near £100m rights issue launched by William Morrison, the Northern-based supermarkets group. Morrison follows Tesco, Argyll, J. Sainsbury and Asda in raising cash via a rights issue.

Morrison shares fell 12 to 267p on the cash-call news. The price-cutting war left Asda 2¼ off at 43¼p, Tesco 8 lower at 227p and Sainsbury the same amount down at 345p. Argyll slipped 5¼ to 280½p.

Northern Foods remained under pressure from cash-raising fears in connection with its probable purchase of some of Express Dairy's businesses from Grand Metropolitan, with the stock 7 lower at 510p.

Independent television companies were firm in a weak market after Mr Kenneth Baker, the home secretary, announced that they will have their special levy payments reduced in the last year of the old regime. Ulster was up a penny at 150p and Scottish Television held at 609p.

Leisure shares were steady ahead of a positive note by Kleinwort Benson sent out to clients last night. The securities house argues that the sector has bottomed out and is beginning to pick up. It highlights Ladbroke (up 4 at 266p), Rank Organisation (off a penny at 646p) and Queens Moat Houses (a fraction easier at 90p).

Turnover in FKI rose to 13m shares as the stock slipped 6¼ to 52p after the company reported a drop in interim profits from £26.3m to £13.5m, a cut in the dividend and the chairman's resignation.

An upbeat trading statement following a 36 per cent advance in half-time profits to £22.4m boosted VSEL, which forged ahead 26 to 465p.

A bearish review on the motor industry from County NatWest cast a shadow over a number of stocks in the components sector. BBA gave up 6 to 136p while GKN eased 5 to 318p. T & N lost 4 to 139p.

BOC, which has been strong ahead of results due today, appeared to run out of steam as general market weakness and profit-taking prompted a retreat of 6 tp 583p.

There were few takers for ICI and the shares fell back 22 to 1224p on uninspiring volume.

MARKET REPORTERS:
Peter John,
Joel Kibazo,
Steve Thompson.

■ Other market statistics, including the FT-Actuaries Share Indices and London Traded Options, Page 25.

NEW HIGHS AND LOWS FOR 1991

NEW HIGHS (90).
BRITISH FUNDS (6) Treas. 3pc 1992, Fdg. 6pc Ln. 1993, Tr. 2pc I-L 1992, Tr. 2pc I-L 1994, Tr. 2pc I-L 1996, Tr. 2pc I-L 2001, AMERICANS (3) Abbott Labs., Merrill Lynch, PHH, CANADIANS (1) BC Gas, BANKS (5) ABN Amro, Deutsche Bank, HSBC, Schroders, Warburg (SG), BREWERS (3) Guinness, Do. 5¼pc Pf., Do. 8¼pc Ln., BUILDINGS (3) Ashtead, Epwin, Maunders (John), CHEMICALS (4) Canning (W), Porvair, Wardle Storeys, Yorkshire Chems., STORES (3) Body Shop, Brown (N), Smith (WH) A, ELECTRICALS (9) Beales Hunter, HK Telecom, Hoskyns, Misys, Norsk Data A, Nth. Telecom, Philips Elects., Pelon, Thorpe (FW), ENGINEERING (3) Chemring, VSEL Consortium, Victaulic, FOODS (4) BSN, Brake Bros., Dalepak Foods, Thorntons, INDUSTRIALS (17) Airsprung Furniture, Baxter Intl., Capita, Cathay Pacific, Cornwell Parker A, De La Rue, Glaxo, Kalon, London Intl., Mazling Inds., PCT, Seton Healthcare, Sidlaw, Sketchley, Swire Pacific A, Tomkins, Unilever NV, INSURANCE (2) Domestic & Gen., Lloyd Thompson, LEISURE (1) Stanley Leis., MOTORS (2) Central Motor Auctions, Cowie (T), PAPERS (1) Aspen Comms., TEXTILES (1) Hicking Pentecost, TRANSPORT (1) NFC Var. Vtg., TRUSTS (8) Berry Starquest, Dartmoor, Grahams Rintoul, Mercury Asset Mngmt., Murray Smaller Mkts. B, Murray Split Cap. Zero Div. Pf., OILS (2) Evergreen Res., Total B, MINES (3) De Beers Linked Units, Dorial Res., Navan Res.
NEW LOWS (34).
AMERICANS (1) Tenneco, CANADIANS (1) Gulf Canada, BUILDINGS (6) Blue Circle, Higgs & Hill, Lovell (YJ), RMC, Tarmac, CHEMICALS (1) Astra, STORES (2) Ratners, Do. 8⅞p Pf., ELECTRICALS (3) Ericsson (LM), Koda Intl., Sema, ENGINEERING (2) Bradford, Vickers, FOODS (3) Albert Fisher, Ashley 8¼p Pf., Greggs, INDUSTRIALS (6) ADT, BrR. Aerospace, Gestetner, Pilkington, T & N, LEISURE (4) Allied Radio, Do. 8pc Ln. 2001, Kunick, TSW, NEWSPAPERS (1) Maxwell Comm., PROPERTY (2) Anglo St. James, UK Land, SHOES (1) Stylo, TRUSTS (2) Kakuzi, Stratagem, PLANTATIONS (1) Highlands & Lowlands.

FINANCIAL TIMES STOCK INDICES

	Nov 13	Nov 12	Nov 11	Nov 8	Nov 7	Year Ago	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs	85.92	85.86	85.87	87.26	87.04	80.00	87.94 (18/9)	82.17 (2/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.56	96.57	96.55	96.53	96.46	88.40	97.17 (2/10)	90.59 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1956.4	1984.9	1972.0	1975.5	1956.7	1583.2	2105.3 (2/9)	1608.3 (16/1)	2106.3 (2/9/91)	49.4 (26/6/40)
Gold Mines	149.4	149.8	149.4	148.9	150.8	161.7	222.8 (11/7)	127.0 (22/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2546.5	2575.5	2554.9	2559.0	2538.0	2060.0	2679.6 (2/9)	2054.8 (16/1)	2679.6 (2/9/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1160.29	1165.75	1156.430	1159.92	1149.14	-	1196.60 (2/9)	938.62 (16/1)	1196.60 (3/9/91)	938.62 (16/1/91)
Ord. Div. Yield	5.00	4.94	4.97	4.96	5.01	6.08				
Earning Yld %(full)	7.24	7.15	7.00	7.50	7.67	12.65				
P/E Ratio(Net)	17.35	17.58	18.50	18.51	18.36	9.57				
SEAQ Bargains 4.45pm	23,972	26,616	26,049	31,805	27,616	18,490				
Equity Turnover(£m)†	-	693.61	693.31	1072.13	902.58	632.94				
Equity Bargains†	-	26,446	25,191	31,117	27,533	17,467				
Shares Traded (ml)†	-	431.2	347.5	507.2	446.2	308.0				

[illegible]

Ordinary Share Index, Hourly changes — Day's High 1981.5 — Day's Low 1955.8

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1981.3	1976.8	1970.0	1966.8	1963.2	1966.1	1958.8	1958.8	1960.4

FT-SE 100, Hourly changes — Day's High 2574.2 — Day's Low 2546.6

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2574.1	2569.4	2562.2	2555.9	2554.7	2554.9	2546.8	2547.8	2552.0

FT-SE Eurotrack 200, Hourly changes — Day's High 1163.81 — Day's Low 1158.13

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1163.68	1163.03	1162.07	1162.51	1162.82	1159.14	1158.36

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

GILT EDGED ACTIVITY	Nov 12	Nov 11
Indices*		
Gilt Edged Bargains	84.9	88.8
5-Day average	92.4	94.3

*SE Activity 1974. †Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
[illegible]															
British Land	470	288	-11	GM	1,580	236	-1	Reuters	2,100	920	-46	Unilever	1,300	840	-3
BP	5,500	323½	-8	ICI	1,800	1224	-22	Rolls Royce	2,800	136		United Biscuits	2,200	353	-7
British Steel	17,000	84¾	+½	Inchcape	789	400	+2	Rothmans	232	1108	+1	Utd. Newspapers	312	352	-7
British Telecom	3,800	373	-3	Kingfisher	1,100	553	-8	Ryl Bk Scotland	634	178	-2	Vodafone	824	374	+2
Bunzl	94	90		Ladbroke	3,400	266	+4	Royal Insurance	1,300	291	-18	Wellcome	893	801	-4
Burmah Castrol	742	535	-15	Land Securities	1,700	505	-1	Saatchi	203	13½		Welsh Water	1,200	383	-2
Burton	1,700	40	-2½	Laporte	81	583	-4	Sainsbury	1,500	345	-8	Wessex Water	84	400	-3
Cable & Wire.	1,700	633	-7	Legal & General	949	389	-7	Scottish & New.	1,800	364	-11	Whitbread "A"	840	455	-11
Cadburys	814	409	-3	Lloyds Abbey	191	400	-5	Scot. Hydro-Elect.	707	105	-2	Williams Hldgs.	827	338	
Calor Group	222	241	-4	Lloyds Bank	3,100	397	-3	Scottish Power	5,800	101½	-2½	Willis Corroon	717	278	-3
Carlton Comms.	81	506	-8	LASMO	667	311	-3	Sears	1,000	98		Wimpey	112	158	-1
Coats Viyella	1,000	182	-2	London Elect.	182	251	-5	Sedgwick	852	240	-3	Yorkshire Elect.	667	286	-8
Comm. Union	881	498	-6	Lonrho	2,200	221½	-1½	Seeboard	11	288	-7	Yorkshire Water	30	364	-4

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

FOOTSIE futures traders reported an erratic session yesterday, with sentiment affected by talk of a sell programme, fading hopes of a cut in UK base rates and a larger than expected increase in October US producer prices, writes Joel Kibazo.

Having opened steadily following a firm Wall Street, the December Footsie future retreated on speculation of a sell programme from a leading UK securities house.

December weakened further on talk that a cut in UK base rates would now not materialise because of the recent weakness in sterling. It was also affected by selling from independent traders on news of the higher than predicted rise in US producer prices.

At the official close, December was 2,572, down 13 on the previous session, but at a premium of 26 to cash and around 5 points above its estimated fair value premium. Turnover was above 7,000.

Turnover in the traded options market reached 27,980. British Steel was the busiest stock option, with a day's total of 2,647 contracts dealt. A seller of the January 110 puts at 30p helped to steady shares in the cash market, which fell heavily on Monday and Tuesday following the company's poor results.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

[illegible]

BRITISH FUNDS—Contd

Over Fifteen Years

Undated

Index-Linked

[illegible]

INT. BANK AND O'SEAS

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

Public Board and Ind.

[illegible]

FOREIGN BONDS & RAILS

[illegible]

Continued on next page

APPOINTMENTS

Trade Indemnity turns to Australia

TRADE INDEMNITY, the UK's recession-battered trade credit insurer, has turned to its Australian subsidiary to recruit a new managing director. Vic Jacob, now 55, is currently in charge at Trade Indemnity Australia. An accountant with considerable experience in merchant banking and export credit insurance down under, he takes over day-to-day running of TI from Richard Duggan, who resigned as TI's general manager and chief executive just over a week ago.

Jacob was once general manager of Australia's government-owned export credit risks insurer, Export Finance and Insurance Corporation, and will no doubt be keen to continue his predecessor's efforts to guide TI – which has traditionally focused on domestic business – into that area.

This will not, however, be an easy task. Jacob takes over a company which in the space of nine months has posted record losses, passed its dividend and pulled out of the race to acquire the Insurance Services Group, the government-owned short-term export credit insurance currently in the throes of privatisation. To make matters just a little bit more difficult, Jacob takes over without a finance director. Keith White, the previous incumbent, announced his resignation this week after just six months in the job.

High flyers

BAA, the UK airports operator, has promoted Joy Weston to the post of operations director for Gatwick Airport, following the retirement of Ian Hamilton after 25 years with BAA.

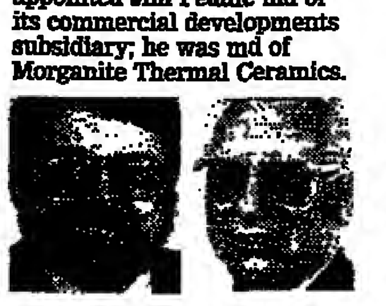
In an unusual position for a woman, the former commercial director will be in charge of a department of over 1,000 people, with responsibility for everything from terminal operations to the fire service.

This is the second appointment of a woman in high places in the UK airline industry in recent days; Kate Jenkins, previously in charge of human resources at the Royal Mail, has just been hired on a trouble-shooting assignment for Heathrow's passenger and baggage transfer services.

In another move at BAA, Gordon Edington, chairman and md of Lynton, its property company, and md of BAA Holdings, has been appointed to the main board.

■ NORTH WEST WATER has appointed Steve McAdam group financial director to succeed Archie Ramsay, who is retiring but will remain as a non-executive director. McAdam joins from Hewlett-Packard.

■ ANGLIAN WATER has appointed Jim Peddie md of its commercial developments subsidiary; he was md of Morganite Thermal Ceramics.



■ NORTHUMBRIAN WATER has appointed John Brady (above right) to the new post of environment and technology director. He continues as chairman of Renovexx Technology.

■ GLOBE PETROLEUM has appointed Michael Smith (above left), hitherto a non-executive, as its chairman and chief executive; he succeeds Michael Plant, who steps down from the chairmanship to become a non-executive.

■ CASPEN OIL has appointed Adrian Young a director following its acquisition of his companies.

■ Peter Wells is promoted to sales and commercial director of Brush Transformers, part of HAWKER SIDDELEY, from export sales director.

■ Andrew Hills, Stuart Nelson and Derek Pooley, mds of AEA TECHNOLOGY, have been appointed to the UKAEA board.

■ Peter Singleton is promoted to the LEP-SWIFT International Management Board.

Laura Ashley resignation

LAURA ASHLEY Holdings, the fashion and furnishings group, announces the resignation of Terry Smith as a director of the company and president of its North American subsidiary.

Smith's departure follows the appointment in August of Jim Maxmin, a US marketing man, to be chief executive of the UK group. Last month Maxmin announced a management reorganisation which included taking out layers of management in the US and UK and moving the US head office to a smaller building.

Maxmin had said then that the group suffered from a fragmented management and would be run as a single international business.

Smith will be replaced, though the role of his replacement will be different.

Before Maxmin arrived, Laura Ashley's prospects were revived by painful rationalisation, involving 1,500 job losses and seven factory closures, the sale of non-core businesses and a £30m cash injection from the Aeon Group of Japan, which has a 15 per cent stake.

LONDON SHARE SERVICE

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AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES – Contd

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ENGINEERING

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LONDON SHARE SERVICE

LEISURE—Contd

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

INVESTMENT TRUSTS

1991 High	Low	Stock	Price	+ or -	Div Net	Y'ld Gr's	NAV	Dis or Pm(-) %
141	94	Abertorth Smaller Cos.	141	.....	H4.5	4.3	128.4	-9.9
62	25	Do. Warrants	62	.....				
111	100	Abertorth Split Lev Inc.	109	.....	M9.0	11.0		
[illegible]								

INVESTMENT TRUSTS—Contd

1991 High	Low	Stock	Price	+ or -	Div Net	Y'ld Gr's	NAV	Dis or Pm(-) %
67	51	Mt. American Gas	56xd	.....	2.25	5.4	67.4	17.0
20	4	Do. Warrants	6	.....				
104	65½	Mth. Brit. Canadian	102	.....	†h3.06	4.0	109.3	6.7
[illegible]								

Net asset values supplied by County NatWest Wood Mackenzie as a guide only.

FINANCE, LAND, ETC

[illegible]

FINANCE, LAND, ETC—Contd

1991 High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
56	33	Slaper & Friedlander	44	.....	2.5	1.7	7.6	10.1
145	95	Smith New Court	120	.....	3.5	1.2	3.9	26.9
87	61	Do. Cnv Prf 50p	74	.....	6.5	–	11.7	–
131	110	South America Fund	110	.....				
[illegible]								

WATER

[illegible]

OIL AND GAS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

MINES—Contd

Australians

[illegible]

Tins

[illegible]

Miscellaneous

1991 High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's
[illegible]							
£6¼	£3⅝	Hemlo Gold Mines	£5¼	+¼	Q20c	–	2.1
£11⅜	£7⅝	Homestake Mining $1	£8½	+⅛	Q20c	–	1.3
61	30	Ivernia West	50	.....	–	–	–
46	33	Kells Mins. Ir5p	41	–1	–	–	–
25	6½	Kenmare Ir5p	7	.....	–	–	–
20	15	Minan Resources	28	+2	–	–	–
99	50	Northgate Expl. C$1	58	.....	–	–	–
16	5	North West Expl.	5	.....	–	–	–
188	82	Oryx Gold Hldgs	117	.....	–	–	–
23	10	Ovoca Gold IR 2p	11	.....	–	–	–
44	17	Pateno Mining 20p	18	.....	–	–	–
605	404	RTZ 10p	542	–10	19.5	1.7	4.8
11	3½	Thorco Res. Inc.	7½	.....	–	–	–
10	2	Vizcaya Hldgs 5p	2½	.....	–	–	–
152	20	Wstrn & Pac Res	20	.....	–	–	–
139	111	Young Group 10p	111	.....	5.2	1.8	6.2

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha refers to shares traded through SEAQ by at least two marketmakers and with a normal market size of 2,000 or more, based on experience of how many of its shares are traded in the typical deal. β Beta refers to all other shares. γ Gamma refers to other traded instruments.

Highs and lows are based on intra-day mid prices. Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1991. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or -
Craig & Rose £1 β	635xd	.....
Finlay Pkg. 5p α	45	.....
Holt (Jos) 25p β	2845	+5

IRISH

Stock	Price	+ or -
Cap. 8½% Ln. 2010	£95½	.....
9pc Cap Ln. 1996	£98½	.....
Fin. 13% 97/02	£114	.....
Arnotts	180xd	.....
Helton Hldgs γ	33	–2
IRG	123½	.....
United Drug	170	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	50
Amstrad	6
Astec (BSR)	5
BAT	53
BOC Grp	48
BTR	33
Barclays	34
Blue Circle	20
Boots	33
Bowaters	55
Brit Aerospace	35
British Steel	10
Brit. Telecom	33
Cadburys	35
Charter Cons	42
Comm Union	40
Courtaulds	38
Eurotunnel	50
FKI	5
FNFC	10
Forte	21
Gen Accident	43
GEC	16
Glaxo	118
Grand Met	67
Guardian	14
GKN	28
Hanson	17
Hawker Sidd	55
ICI	95
Ladbroke	21
Legal & Gen	33
Lex Service	16
Lloyds Bank	30
Lucas Inds	12
Marks & Spencer	21
Midland Bk	28
Nat West Bk	26
P & O Dfd	41
Racal Elect	6
RHM	25
Rank Org Ord	55
Ratners	12
Reed Intnl	35
Sears	8½
SmKl. Beecham A	53
TI	39
TSB	11
Tesco	21
Thorn EMI	65
T&N	14
Unilever	60
Vickers	16
Wellcome	60

Property	
Brit Land	27
Control Secs	2
Land Securities	41
MEPC	42
Mountleigh	4

Oils	
Ariva Petlm	3
Brit Petroleum	26
Burmah Castrol	47
Conroy Petlm	8
Gaelic Res	1
Premier	4
Shell	40
Tuskar Res	1
Ultramar	20

Mines	
Lonrho	20
RTZ	46

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AUTHORISED UNIT TRUSTS

Murray Johnstone UT Mgmt (1000)H
7 West Nile St, Glasgow G2 2PX

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Acquest	5	69.89	70.16	74.88	-0.27	4.76
Acquest Reserve	3	66.20	66.20	68.18	...	[illegible]
American Income	5	131.45	131.50	139.70	+1.50	0.01
Equity Income	5	82.61	82.61	88.16	[illegible]	[illegible]
European	5	53.32	53.32	56.76	...	[illegible]
Far Eastern	5	108.87	108.90	116.20	[illegible]	[illegible]
Smaller Cos	5	48.50	48.50	51.75	+0.06	2.77
Olympiad	5¼	46.80	46.82	49.84	-0.09	[illegible]
Olympiad Income	5¼	43.53	43.53	46.44	[illegible]	[illegible]
UK Growth	5	75.43	76.00	81.12	[illegible]	[illegible]

Guide to pricing of Authorised Unit Trusts
Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often well above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♣) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH. Tel: 071 - 379 - 0444.

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INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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N & P Life Assurance Ltd

National Mutual Life

National Provident Institution

Norwich Union Asset Management Ltd

Norwich Union Life Insurance Soc.

Pearl Assurance (Unit Funds) Ltd

Pegasus Assurance Ltd

Premium Life Assurance Co Ltd

Professional Life Assurance Co Ltd

Prolific Life & Pensions Ltd

Prosperity Life Assurance Ltd

Providence Capitol Life Assc. Co Ltd

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Prudential Assurance Co

Prudential Holborn Life Ltd

Prudential Holborn Pensions Ltd

Prudential Pensions Limited

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Heritage Life Assurance Ltd—Contd.

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Skandia Life Assurance Co Ltd

Skandia Life Assurance Co Ltd—Contd.

Standard Life Assurance Company

Sun Alliance Group

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

Swiss Pioneer Life Plc

Shield Assurance Ltd

TSB Life Ltd

Target Life Assurance Co Ltd

Target Life Assurance Co Ltd—Contd.

Teachers' Assurance Company Ltd

Templeton Life Assurance Limited

Tunbridge Wells Equitable

Wesleyan Assurance Society

Windsor Life Assur Co Ltd

Woolwich Life Assurance Co Ltd

Zurich Life Assurance Co Ltd

OFFSHORE INSURANCES

AEtna Intl Assurance (Bermuda) Ltd

Albany International Assurance Ltd

CMI Insurance Co Ltd

Eagle Star Intl Financial Services

Equitable Life (International)

Equity & Law Intl Life Assce Co Ltd

Eurolife Assurance Group

Finesco International Ltd

Hansard International Ltd

Isle of Man Assurance Ltd

NEL Britannia International Ltd

Providence Capitol International Ltd

Royal Life Intl. Ltd

Royal Skandia Life Assurance Ltd

Sun Alliance International Life

Target International Group

MANAGEMENT SERVICES

C F S Financial Mngmt

Capital Trust Financial Management

Chase de Vere PLC

Edinburgh Money Management Ltd

Fairmount Financial Services Ltd

Carlmore Fund Managers Ltd

Hambro Fd Mgrs (CI) Ltd

Independent Financial Group PLC

Johnson Fry Asset Management Plc

Knight Williams & Company Ltd

Macartney & Dowie Invest Mngt Plc

Northern Blogs & Partners

PSR Fund Management Ltd

Roxborough Financial Management Ltd

Sharp (Albert E.) & Co.

Sittle Fund Managers Limited

South Yorks Financial Planning

Charles Stanley & Co Ltd

Tettenhall Investment Mngt. Ltd

Towry Law & Co

J. B. Ward Financial Services Ltd

IPS Capital Management PLC

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Orion Fund Limited

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

Adams & Neville Fd Mngt (Guernsey) Ltd

Barings Intl Fd Managers (Guernsey) Ltd

Equitable International Fund Managers Ltd

Gartmore Invest Managers (Guernsey) Ltd

Guinness Flight Fd Mngrs (Guernsey) Ltd

Lazard Fund Mngrs (Channel Islands) Ltd

Lion World Fixed Income Fund

Lloyds Intl Money Market Fund Ltd

M & G (Guernsey) Ltd

Prolific International Mngmt Ltd

Rothschild Asset Management (CI) Ltd

Royal Bank of Canada Funds

Sarasin Funds Mngmt (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

GUERNSEY (REGULATED)

Adams & Neville Fund Mngt (Guernsey) Ltd

Arab Bank Fund Managers (Guernsey) Ltd

Bachmann Global Investment Fund Ltd

Credit Suisse Asset Mngmt (Guernsey) Ltd

Dextrust Management (Guernsey) Ltd

Fleurt-Cassell Fund Mngrs (Guernsey) Ltd

John Govett Mngmt (International) Ltd

Hambros Fund Managers (Guernsey) Ltd

Havelet Thorogood Mngmt Ltd

Henderson Admin. (Guernsey)

Holborn Fund Management (Guernsey) Ltd

Kleinwort Benson Intl Fd Mngrs Ltd

Lazard Fund Managers (CI) Ltd

Merrill Lynch Guernsey

Nikko Capital Mngt (Europe) Ltd

Sandi International (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

Stonehage Fund Mngrs Ltd

U.S. Treasury Securities Fund Ltd

Rudolf Wolff Capital Management Ltd

Yamaichi Capital Mngmt (Guernsey) Ltd

IRELAND (SIB RECOGNISED)

GAM Fund Management Ltd

Hamlin Prolific International Mngmt Ltd

MI Global Asset Mngmt Co Ltd

IRELAND (REGULATED)

Bank of Ireland Unit Managers

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	Bid Price	Offer Price	+ or -	Yield Gross
Barlng International Fd Mngrs (Ireland) Ltd				
Australia	$17.62	18.51	-0.06	1.05
Japan Tech	$61.57	64.65	+0.05	-
Japan Fund	$25.90	27.20	+0.03	0.17
Japan New Gen'n Fd	$19.88	20.88	+0.09	-
Malay Sing	$55.67	58.46	-0.29	0.51
Nth American	$22.60	23.73	+0.27	0.58
Octopus Fund	$22.34	23.46	-0.09	0.80
Pacific Fd	$64.53	67.76	+0.33	-
International Bond	$17.82	18.72	+0.07	6.89
Europa Fund	$13.69	14.38	-0.11	-
British Screen Fd	£0.96	0.99	....	-
Trinity Warrant	$11.52	12.10	-0.08	-
Hong Kong	$53.35	56.02	-0.12	3.09
Mngd Portfolio (Stlg)	£4.17	4.50	....	-
Mngd Portfolio (Dlr)	$10.51	11.09	+0.05	-
Currency Fd-Sterling		£19.64	....	-
Currency Fd-US Dollar		$15.44	....	-
Curr Fd-Deutschemark		DM40.80	+0.03	-
Curr Fd-Managed $	$45.59	47.86	+0.11	-
Federated International Funds Plc				
Federated Short-term US Gov't Securities Fund				
Institutional Serv Series*		$1.00	....	4.80
Investment Series*		$1.00	....	4.80

* Annualised Yield

ISLE OF MAN (SIB RECOGNISED)

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Allied Dunbar Intl Fund Mgrs (1600)F						
Lord Street, Douglas, IoM						0624 661551
ADI Managed(z)	5	$0.5988	0.5980	0.6377	[illegible]	1.39
ADI Mngd Currency(z)	5	$0.3968	0.3968	0.4215	[illegible]	5.43
ADI W'wide Eq(z)	5	$0.6680	0.6687	0.7121	[illegible]	1.06
ADI Nth Amer Gth(z)	5	$0.7928	0.7970	[illegible]	[illegible]	0.01
ADI Far East (z)	5	$1.117	1.117	1.189	[illegible]	1.12

JERSEY (REGULATED)

ISLE OF MAN (REGULATED)

JERSEY (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

LUXEMBOURG (REGULATED)

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar swings in busy trading

THE DOLLAR finished unchanged after fluctuating in a wide range in busy dealing as the market tried to assess disappointing US inflation figures and an official warning that Germany could slide into recession next year.

The dollar had opened *slightly firmer in Europe* at around DM1.6380, where it remained until the release of the US October producer price figures.

The US currency advanced to DM1.6430 after it was announced *that prices had* risen by 0.7 per cent compared with *forecasts* of a 0.1 per cent rise. There were suggestions that if inflationary pressures are building, the Federal Reserve will not be able to lower interest rates any further, and this attracted dollar *buyers*.

But on reflection dealers began to have second thoughts about the data. Some economists said the figures may have just been a one-off, while others argued that rising inflation and a weak economy could be the worst possible *combination for the dollar*.

In any case, there was active selling on the inter-bank market after the numbers were released and the dollar fell to a just above DM1.6300.

The then dollar bounced off that level on a report that the Mr Juergen Eeckhoff, state secretary in the German Economics Ministry, had said that high *wage settlements* may make a "march into recession" unavoidable.

By the close the dollar was *higher at DM1.6400 from* DM1.6350. The dollar is still *stuck* in the middle of a trading range, identified by analysts as DM1.6280 to DM1.6480.

The dollar rose against the yen on growing speculation that Japanese interest rates will soon be cut. Most analysts *believed the official discount* rate would be lowered by ½ point to 5 per cent. The dollar closed at Y130.10 from Y129.60; while the D-Mark finished at Y79.50 from Y79.25.

The comments by Mr Eeckhoff caused *the mark to* weaken slightly, which led to a *lessening of tension within the* ERM. The mark slipped to L752.50 from L753.00, as light profit-taking set in after the gains posted by the mark against the lira in recent days.

The mark's softness helped *sterling hold above* DM2.90. On Tuesday the Bank of England *supported the pound* when it slipped below that level. Sterling's weakness has dampened the speculation about an early cut in interest rates, which in turn has contributed to the pound's steadier tone.

Sterling closed higher at DM2.9050 from DM2.9000 but *slipped to $1.7710 from $1.7730.*

The Spanish peseta strengthened within the ERM grid, as traders shrugged off a small cut in money market rates, and instead focused on a rise in Spain's underlying inflation rate.

The mark dropped to *Pta62.85 from around Pta* at the previous session's close, while within the ERM grid, the peseta's lead over the weakest currency rose to 5.38 per cent from 5.19 per cent.

£ IN NEW YORK

Nov 13	Latest	Previous Close
£ Spot	1.7710-1.7720	1.7690-1.7700
1 month	0.83-0.81pm	0.86-0.84pm
3 months	2.37-2.34pm	2.32-2.29pm
12 months	7.98-7.88pm	8.10-8.00pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Nov 13	Previous
8.30 am	91.2	91.2
9.00 am	91.2	91.3
10.00 am	91.2	91.3
11.00 am	91.2	91.2
Noon	91.2	91.2
1.00 pm	91.2	91.2
2.00 pm	91.2	91.2
3.00 pm	91.3	91.2
4.00 pm	91.2	91.2

CURRENCY MOVEMENTS

Nov 13	Bank of England Index	Morgan** Guaranty Changes %
Sterling	91.2	-20.3
U.S. Dollar	63.5	-15.8
Canadian Dollar	105.7	+3.5
Austrian Schilling	109.6	+12.0
Belgian Franc	111.3	-1.9
Danish Krone	108.3	+3.0
D-Mark	118.2	+24.8
Swiss Franc	108.6	+16.8
Dutch Guilder	114.2	+16.1
French Franc	102.5	-13.3
Lira	98.6	-20.0
Yen	141.1	+75.4

Morgan Guaranty changes average 1980-1982=100. Bank of England Index (Base Average 1985=100) **Rates are for Nov 12

CURRENCY RATES

Nov 13	Bank § rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.778530	0.704748
U.S. Dollar	5.00	1.38189	1.24952
Canadian $	8.17	1.56361	1.41983
Austrian Sch	7.50	15.8959	14.3882
Belgian Franc	8.00	46.4937	42.1025
Danish Krone	9.50	8.75980	7.94068
D-Mark	7.50	2.25842	2.04421
Dutch Guilder	8.00	N/A	2.30374
French Franc	10¼	7.72062	6.98418
Italian Lira	11½	1700.65	1538.78
Japanese Yen	5.50	179.508	162.312
Norway Krone	8	8.85101	8.01628
Spanish Peseta	-	142.176	128.560
Swedish Krona	10.00	8.25127	7.46837
Swiss Franc	7.00	1.99890	1.81243
Greek Drach.	19	N/A	231.036
Irish Punt	-	N/A	0.765026

§ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for Nov.12

OTHER CURRENCIES

Nov 13	£	$
Argentina	17563.6 - 17590.2	9900.00 - 9910.00
Australia	2.2525 - 2.2545	1.2715 - 1.2725
Brazil	1253.29 - 1254.24	706.600 - 706.900
Finland	7.0985 - 7.1115	4.0050 - 4.0080
Greece	325.400 - 330.600	183.730 - 186.670
Hong Kong	13.7375 - 13.7505	7.7610 - 7.7630
Iran	117.00*	66.50*
Korea(Sth)	1322.25 - 1343.55	747.70 - 756.70
Kuwait	0.49255 - 0.49335	0.28880 - 0.28910
Luxembourg	59.65 - 59.75	33.65 - 33.75
Malaysia	4.8515 - 4.8595	2.7410 - 2.7430
Mexico	5446.50 - 5453.10	3070.00 - 3072.00
N Zealand	3.1570 - 3.1600	1.7815 - 1.7835
Saudi Ar	6.6085 - 6.6855	3.7495 - 3.7505
Singapore	2.9640 - 2.9710	1.6770 - 1.6790
S.Af (Cm)	4.9510 - 4.9630	2.8015 - 2.8030
S.Af (Fn)	5.4190 - 5.5030	3.0580 - 3.1055
Taiwan	46.05 - 46.15	26.00 - 26.05
U.A.E.	6.4710 - 6.5490	3.6715 - 3.6735

*Official rate. Floating rate £-2471.0 $-1392.0

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Nov 13	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	128.560	-3.79	5.29	66
Belgian Franc	42.4032	42.1025	-0.71	2.02	39
D-Mark	2.05586	2.04421	-0.57	1.87	42
Dutch Guilder	2.31643	2.30374	-0.55	1.85	31
Irish Punt	0.767417	0.765026	-0.31	1.61	18
Italian Lira	1538.24	1538.78	0.04	1.26	3
Sterling	0.696904	0.704748	1.13	0.16	-23
Danish Krone	7.84195	7.94068	1.26	0.03	-53
French Franc	6.89509	6.98418	1.29	0.00	-66

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Nov 13	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7705 - 1.7750	1.7705 - 1.7715	0.82-0.80cpm	5.49	2.37-2.34pm	5.32
Canada	2.0030 - 2.0190	2.0030 - 2.0040	0.38-0.31cpm	2.07	1.36-1.25pm	2.61
Netherlands	3.2650 - 3.2750	3.2650 - 3.2750	⅜-¼cpm	0.92	¾-⅝pm	0.84
Belgium	59.60 - 59.85	59.65 - 59.75	9-4cpm	1.31	20-12pm	1.07
Denmark	11.2525 - 11.2850	11.2725 - 11.2825	1⅛-⅛orepm	1.13	3⅜-2⅜pm	1.02
Ireland	1.0835 - 1.0890	1.0860 - 1.0870	0.02-0.07cdis	-0.50	0.03-0.13dis	-0.29
Germany	2.8975 - 2.9075	2.9025 - 2.9075	⅜-¼pfpm	1.03	¾-⅝pm	0.95
Portugal	249.30 - 250.70	249.60 - 250.60	16-36cdis	-1.25	118-158dis	-2.21
Spain	181.80 - 183.00	181.85 - 182.15	28-38cdis	-2.18	86-111dis	-2.16
Italy	2180.75 - 2184.75	2183.50 - 2184.50	1-3liredis	-1.10	6-8dis	-1.28
Norway	11.3625 - 11.3900	11.3725 - 11.3825	½orepm-par	0.26	⅞pm-par	0.15
France	9.9025 - 9.9275	9.9125 - 9.9225	⅞-⅜cpm	0.91	2½-2⅛pm	0.98
Sweden	10.5825 - 10.6125	10.6025 - 10.6125	⅛-⅞oredis	-0.64	1⅜-2⅜dis	-0.75
Japan	229.75 - 231.00	230.00 - 231.00	⅞-¾ypm	4.23	2½-2⅜pm	4.23
Austria	20.38 - 20.43	20.40 - 20.43	2⅜-1½gropm	1.14	5⅛-1⅛pm	0.73
Switzerland	2.5650 - 2.5775	2.5675 - 2.5775	⅝-½cpm	2.62	1⅜-1⅛pm	2.14
Ecu	1.4170 - 1.4225	1.4180 - 1.4190	0.10-0.03cpm	0.55	0.19-0.08pm	0.38

Commercial rates taken towards the end of London trading. Six-month forward dollar 4.32-4.27cpm. 12 Month 8.06-7.96pm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Nov 13	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7705 - 1.7750	1.7705 - 1.7715	0.82-0.80cpm	5.49	2.37-2.34pm	5.32
Ireland†	1.6260 - 1.6365	1.6320 - 1.6330	0.71-0.66cpm	5.04	1.98-1.88pm	4.73
Canada	1.1300 - 1.1375	1.1305 - 1.1315	0.30-0.35cdis	-3.45	0.75-0.82dis	-2.78
Netherlands	1.8385 - 1.8515	1.8460 - 1.8470	0.69-0.72cdis	-4.58	2.10-2.13dis	-4.58
Belgium	33.60 - 33.85	33.65 - 33.75	11.50-13.50cdis	-4.45	36.00-41.00dis	-4.57
Denmark	6.3400 - 6.3800	6.3650 - 6.3700	2.15-2.45oredis	-4.33	6.65-7.25dis	-4.37
Germany	1.6300 - 1.6450	1.6395 - 1.6405	0.59-0.60pfdis	-4.35	1.85-1.87dis	-4.54
Portugal	141.45 - 141.65	141.45 - 141.55	65-75cdis	-5.94	255-275dis	-7.49
Spain	102.60 - 103.35	102.80 - 102.90	65-69cdis	-7.82	196-202dis	-7.74
Italy	1227.50 - 1236.25	1233.00 - 1233.50	6.40-6.90liredis	-6.47	20.00-21.00dis	-6.65
Norway	6.3990 - 6.4450	6.4225 - 6.4275	2.60-2.90oredis	-5.14	8.15-8.65dis	-5.23
France	5.5750 - 5.6125	5.5975 - 5.6025	2.13-2.18cdis	-4.62	6.20-6.30dis	-4.46
Sweden	5.9550 - 6.0025	5.9875 - 5.9925	2.95-3.20oredis	-6.16	8.90-9.35dis	-6.09
Japan	129.50 - 130.25	130.05 - 130.15	0.14-0.15ydis	-1.34	0.35-0.36dis	-1.09
Austria	11.4975 - 11.5550	11.5025 - 11.5075	4.10-4.50grodis	-4.49	12.70-14.00dis	-4.64
Switzerland	1.4440 - 1.4550	1.4520 - 1.4530	0.34-0.36cdis	-2.89	1.12-1.16dis	-3.14
Ecu	1.2440 - 1.2520	1.2485 - 1.2495	0.53-0.49cpm	4.90	1.57-1.51pm	4.93

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Nov 13	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	10½ - 10⅜	10½ - 10⅜	10 9/16 - 10 7/16	10 9/16 - 10 7/16	10⅝ - 10½	10⅝ - 10½
US Dollar	4 13/16 - 4 11/16	4 13/16 - 4 11/16	4 13/16 - 4 11/16	5 1/16 - 4 15/16	5⅛ - 4 15/16	5 5/16 - 5 3/16
Can Dollar	9 - 8¾	8½ - 8	8 1/16 - 7¾	7⅞ - 7⅝	7⅞ - 7⅝	7⅞ - 7⅝
Dutch Guilder	9⅝ - 9⅛	9½ - 9	9 7/16 - 9 5/16	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½
Swiss Franc	7½ - 7¼	7¾ - 7⅝	7 13/16 - 7 11/16	8⅛ - 8	8⅛ - 8	8⅛ - 7 15/16
D-Mark	9⅛ - 9	9⅛ - 9	9⅛ - 9	9 7/16 - 9 5/16	9 7/16 - 9 5/16	9 7/16 - 9 5/16
French Franc	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½
Italian Lira	12 - 10	11¼ - 10¾	11⅜ - 10⅞	11¼ - 11⅛	11½ - 11¼	11½ - 11¼
Belgian Franc	9¼ - 9⅛	9¼ - 9⅛	9 5/16 - 9 3/16	9½ - 9⅜	9 7/16 - 9 5/16	9 7/16 - 9 5/16
Yen	6 7/16 - 6¼	6 7/16 - 6¼	6⅜ - 6¼	6⅜ - 6¼	5 13/16 - 5⅝	5⅝ - 5½
Danish Krone	9¼ - 9½	9⅝ - 9½	9½ - 9⅜	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½
Asian $Sing.	3⅝ - 3½	3¾ - 3⅝	3¾ - 3⅝	4⅛ - 4	4⅛ - 4	4⅝ - 4½

Long term Eurodollars: two years 5 13/16-5 11/16 per cent; three years 6 5/16-6 3/16 per cent; four years 6 13/16-6 11/16 per cent; five years 7¼-7⅛ per cent nominal. Short term rates are call for US Dollars and Japanese Yen, others, two days' notice.

EXCHANGE CROSS RATES

Nov.13	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr	Ecu
£	1	1.771	2.905	230.5	9.917	2.572	3.270	2184	2.003	59.70	1.418
$	0.565	1	1.640	130.2	5.600	1.452	1.846	1233	1.131	33.71	0.801
DM	0.344	0.610	1	79.35	3.414	0.885	1.126	751.8	0.690	20.55	0.488
YEN	4.338	7.683	12.60	1000	43.02	11.16	14.19	9475	8.690	259.0	6.152
F Fr.	1.008	1.786	2.929	232.4	10	2.594	3.297	2202	2.020	60.20	1.430
S Fr.	0.389	0.689	1.129	89.62	3.856	1	1.271	849.1	0.779	23.21	0.551
N Fl.	0.306	0.542	0.888	70.49	3.033	0.787	1	667.9	0.613	18.26	0.434
Lira	0.458	0.811	1.330	105.5	4.541	1.178	1.497	1000.	0.917	27.34	0.649
C$	0.499	0.884	1.450	115.1	4.951	1.284	1.633	1090	1	29.81	0.708
B Fr.	1.675	2.966	4.866	386.1	16.61	4.308	5.477	3658	3.355	100.	2.375
Ecu	0.705	1.249	2.049	162.6	6.994	1.814	2.306	1540	1.413	42.10	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS [illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS [illegible]

LIFFE BUND FUTURES OPTIONS [illegible]

LIFFE EUROMARK OPTIONS [illegible]

LIFFE ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS [illegible]

LIFFE SHORT STERLING OPTIONS [illegible]

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT [illegible]

US TREASURY BONDS 8% [illegible]

6% NOTIONAL GERMAN GOVT. BUND [illegible]

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND [illegible]

9% NOTIONAL ECU BOND [illegible]

12% NOTIONAL ITALIAN GOVT. BOND (BTP) [illegible]

THREE MONTH STERLING [illegible]

THREE MONTH EURODOLLAR [illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) 8% [illegible]

U.S. TREASURY BILLS (IMM) [illegible]

JAPANESE YEN (IMM) [illegible]

DEUTSCHE MARK (IMM) [illegible]

THREE-MONTH EURODOLLAR (IMM) [illegible]

BRITISH POUND (IMM) [illegible]

STANDARD & POORS 500 INDEX [illegible]

SWISS FRANC (IMM) [illegible]

PHILADELPHIA SE £/$ OPTIONS [illegible]

PARIS

7 to 10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES [illegible]

6 to 10 YEAR 10% ITALIAN LONG TERM CONTRACT (MATIF) FUTURES [illegible]

THREE-MONTH PIBOR FUTURES (MATIF) [illegible]

CAC-40 FUTURES (MATIF) [illegible]

THREE MONTH EUROMARK *
DM 1m points of 100%

	Close	High	Low	Prev
Dec	90.60	90.62	90.52	90.54
Mar	90.93	90.94	90.84	90.86
Jun	91.18	91.19	91.06	91.08
Sep	91.38	91.40	91.27	91.28
Dec	91.47	91.49	91.38	91.38
Mar	91.67	91.59	91.57	91.56

Estimated volume 41125 (28027)
Previous day's open int. 174018 (171712)

THREE MONTH ECU
ECU 1m points of 100%

	Close	High	Low	Prev.
Dec	90.07	90.10	90.06	90.09
Mar	90.45	90.50	90.40	90.46
Jun	90.64	90.61	90.60	90.63
Sep	90.76			90.74

Estimated volume 564 (856)
Previous day's open int. 5038 (4979)

THREE MONTH EURO SWISS FRANC
SFR 1m points of 100%

	Close	High	Low	Prev.
Dec	91.90	91.91	91.77	91.77
Mar	92.20	92.22	92.04	92.06
Jun	92.40	92.39	92.26	92.23
Sep	92.51	92.39	92.39	92.37

Estimated volume 3395 (5600)
Previous day's open int. 25471 (24683)

FT-SE 100 INDEX *
£25 per full index point

	Close	High	Low	Prev
Dec	2572.0	2605.0	2565.0	2605.0
Mar	2608.5	2628.0	2610.0	2640.5
Jun	2638.5			2670.0

Estimated volume 8165 (7019)
Previous day's open int. 36094 (35402)

FT-SE EUROTRACK 100 INDEX
DM50 per full index point

	Close	High	Low	Prev.
Dec	1113.0	1118.5	1118.5	1110.0
Mar				

Estimated volume 3 (0)
Previous day's open int. 309 (309)

* Contracts traded on APT after trading hours

ECU BOND (MATIF)

December	106.42	106.34	-0.04	106.44	106.18	9.01	3,421
March	-	106.36	-0.04	-	-	9.00	315

Estimated volume 2,022 Total Open Interest 3,736

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls December	Calls March	Calls June	Puts December	Puts March	Puts June
105	-	-	-	-	0.28	-
106	1.29	1.77	-	0.04	0.48	-
107	0.44	1.10	1.62	0.22	0.87	-
108	0.07	0.65	1.11	-	1.40	-
Open Int	90,571	101,997	3,603	89,022	49,032	9,776

Estimated volume 26,549 Total Open Interest 344,001

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.7710	1.7629	1.7475	1.7281	1.6909

BASE LENDING RATES

	%		%		%
Adam & Company	10.5	Credit Lyonnais	10.5	McDonnell Douglas Bnk.	10.5
Allied Trust Bank	10.5	Cyprus Popular Bk	10.5	Midland Bank	10.5
AIB Bank	10.5	Dunbar Bank PLC	10.5	Mount Banking	10.5
● Henry Ansbacher	10.5	Duncan Lawrie	10.5	NatWestminster	10.5
B & C Merchant Bank	10.5	Equatorial Bank plc	10.5	Northern Bank Ltd	10.5
Bank of Baroda	10.5	Exeter Bank Limited	11	Nykredit Mortgage Bank	11
Banco Bilbao Vizcaya	10.5	Financial & Gen. Bank	11	Provincial Bank PLC	14
Bank of Cyprus	10.5	First National Bank Plc.	14	Roxburghe Bank Ltd	11.5
Bank of Ireland	10.5	● Robert Fleming & Co.	10.5	Royal Bk of Scotland	10.5
Bank of India	10.5	Robert Fraser & Ptnrs.	11	● Smith & Williamson Secs.	10.5
Bank of Scotland	10.5	Girobank	10.5	Standard Chartered	10.5
Banque Belge Ltd	10.5	● Guinness Mahon	10.5	TSB	10.5
Barclays Bank	10.5	● Hambros Bank	10.5	Unibank plc	10.5
Benchmark Bank	11	Hampshire Trust Plc	13.5	● United Bk of Kuwait	10.5
Brit Bk of Mid East	10.5	Heritable & Gen Inv Bnk	10.5	Unity Trust Bank Plc	10.5
● Brown Shipley	10.5	● Hill Samuel	10.5	Western Trust	10.5
CL Bank Nederland	10.5	C. Hoare & Co.	10.5	Westpac Bank Corp.	10.5
Citibank NA	10.5	Hongkong & Shanghai	10.5	Whiteaway Laidlaw	10.5
City Merchants Bank	10.5	Julian Hodge Bank	10.5	Yorkshire Bank	10.5
Clydesdale Bank	10.5	● Leopold Joseph & Sons	10.5		
Co-operative Bank	10.5	Lloyds Bank	10.5		
Coutts & Co	10.5	Meghraj Bank Ltd	10.5		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

Firmer UK rates

UK money rates continued to firm yesterday as sterling's weakness reinforced the belief of many market participants that there will be no early reduction in interest rates.

With no change expected in rates before the end of the year, dealing levels were depressed. One money trader called it "the quietest day of the year."

But with sterling perched just DM2.90 for much of the day, following intervention in the currency markets during the previous session by the Bank of England, the pound still appeared to be vulnerable to *further selling pressure*.

Sterling eventually closed 50 *points higher at DM2.9050*, while its trade weighted index finished unchanged at 91.2. But money rates remained firm, with the three months inter-bank rate rising 1/16 to 10 9/16-7/16 per cent.

With three months money almost at 10½ per cent, the current level of bank base rates, the money market is *indicating that there will no* change in rates this year.

Six months money was unchanged at 10 9/16-7/16 per cent, while one year money was also steady at 10¾-9/16 per cent.

On the futures market, sterling's slightly firmer tone after the previous day's weakness lifted prices somewhat. The December short sterling contract was up 2 points at 89.81, which implies an interest rate of 10.11 per cent by the end of that month.

Current prices in the futures market also implies that *futures dealers are anticipating* no change in rates before the end of the year.

There was little liquidity pressure within the money market. The Bank of England forecast a money market shortage of £250m, which was less than many money dealers had expected. A large flow of funds out of the Exchequer almost offset the drain to liquidity caused by maturing Treasury bills.

German money market rates were *steady after the* Bundesbank drained as much *liquidity from the system* as dealers had anticipated. Call money was unchanged at 9.00-9.10 per cent.

In its latest securities repurchase agreements, the Bundesbank drained DM2.3bn. The Bundesbank had accepted bids for DM29.6bn for 28-day funds, which replaced an expiring pact worth DM31.9bn.

In New York Federal funds were trading slightly firmer at *around 5 per cent after the* Federal Reserve drained liquidity.

UK clearing bank base lending rate 10.5 per cent from September 4, 1991

FT LONDON INTERBANK FIXING

(11.00 a.m. Nov 13) 3 months US dollars		6 months US Dollars	
bid 5	offer 5⅛	bid 5	offer 5⅛

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

Lunchtime		Treasury Bills and Bonds			
Prime rate	7½	One month	4.60	Three year	6.03
Broker loan rate	7	Two month	4.67	Four year	6.13
Fed funds	5	Three month	4.76	Five year	6.71
Fed funds at intervention	-	Six month	4.91	Seven year	7.09
		One year	5.02	10-year	7.43
		Two year	5.67	30-year	7.89

Nov 13	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	9.00-9.10	9.00-9.15	9.20-9.35	9.20-9.35	9.20-9.40	9.25
Paris	9 11/16-9 9/16	9⅝-9½	9 11/16-9 9/16	9⅝-9½	9⅝-9½	9.25
Zurich	6⅞-7⅛	7⅝-7⅞	-	7⅞-8⅛	-	-
Amsterdam	9.06-9.12	9.19-9.29	-	9.27-9.37	-	-
Tokyo	6 5/16-6 11/16	6¼-6 5/16	-	6⅛-6⅜	-	-
Milan	10½-10¾	11⅛-11⅜	-	11¼-11½	-	-
Brussels	9⅛-9¼	9⅜-9⅜	-	9⅜-9½	-	-
Dublin	9 13/16-10 1/16	10-10¼	10 3/16-10 7/16	10 3/16-10 7/16	10 3/16-10 7/16	-

LONDON MONEY RATES

Nov 13	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	10⅝	10½	10½	10 9/16	10⅝	10¾
Interbank Bid	9	10¼	10⅜	10 7/16	10½	10 9/16
Sterling CDs	-	-	10 7/16	10 7/16	10 15/32	10 17/32
Local Authority Deps.	10⅛	10⅜	10⅝	10 9/16	10 9/16	10 9/16
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	9¾	10⅜	-	-	-	-
Company Deposits	-	-	10½	10 9/16	10⅝	10 9/16
Finance House Deposits	-	-	10½	10 9/16	10⅝	10 9/16
Treasury Bills (Buy)	-	-	10 5/32	9 15/16	9⅞	-
Bank Bills (Buy)	-	-	10¼	10	9 15/16	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	4.92	5.12	5.12	5.22
SDR Linked Dep. Offer	-	-	6⅞	7	7	7
SDR Linked Dep. Bid	-	-	6¾	6⅞	6⅞	6⅞
ECU Linked Dep. Offer	-	-	9⅝	9 11/16	9 11/16	9 11/16
ECU Linked Dep. Bid	-	-	9½	9 9/16	9 9/16	9 9/16

Treasury Bills (sell); one-month 10 1/16 per cent; three months 9 13/16 per cent; six months 9 3/16 per cent; Bank Bills (sell): one-month 10 3/16 per cent; three months 9 15/16 per cent. Treasury Bills; Average tender rate of discount 9.7467 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day October 31, 1991. Agreed rates for period Nov 26, 1991 to December 24, 1991, Scheme I: 11.68 p.c. Schemes II & III: 11.68 p.c. Reference rate for period October 1, 1991 to October 31, 1991, Scheme IV&V: 10.447 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10½ from November 1, 1991: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 7 per cent; one-three months 9½ per cent; three-six months 9 per cent; six-nine months 9 per cent; nine-twelve months 9 per cent; Under £100,000 7 per cent from Sept 5, 1991. Deposits withdrawn for cash 5 per cent.

MONEY MARKET FUNDS

Money Market Trust Funds

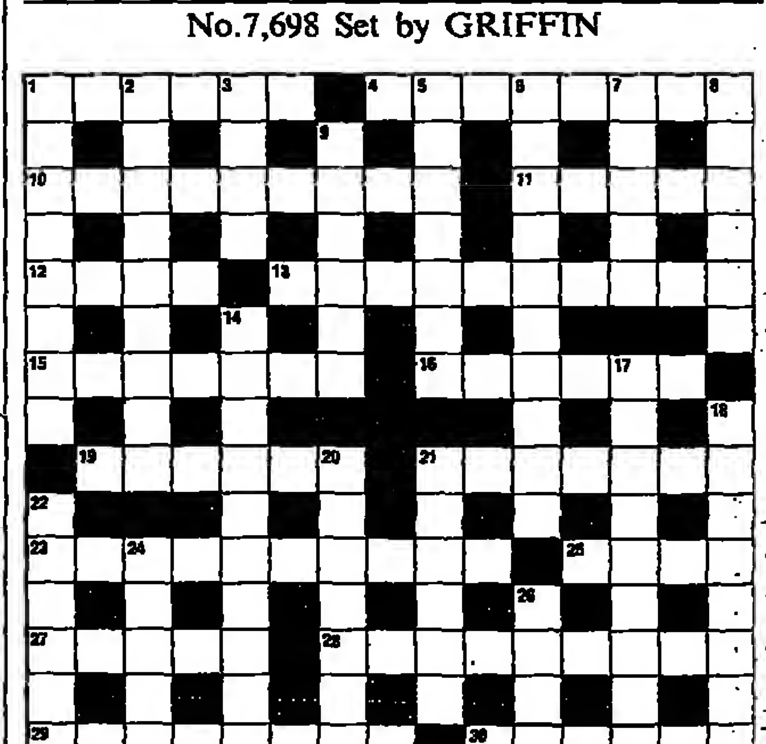
[illegible]

Money Market Bank Accounts

[illegible]

CROSSWORD

No.7,698 Set by GRIFFIN



ACROSS
1 Angled backwards if on hut (8)
4 Confess taking pawn is terrible (8)
10 Former African horse and I split up (9)
11 Oriental farming animal (5)
12 Well this is cooked thoroughly! (4)
13 Slipping past doctor in present mood (10)
15 Tim's one; sloppy and slightly wet! (7)
16 Number the dirty journalist lost (6)
19 Group on mountain returning sheets (6)
21 Pass trainee members, etc, after rally (7)
23 Staggering reduction many brought in (10)
25 Notice they spin backwards (4)
27 He's Guinevere's lover not Abraham's nephew! (5)
28 Stop and meet train in error (9)
29 Shipbuilding area cut short by three feet (8)
30 Turning-point as church backs goddess (6)

DOWN
1 Pam fried using bottled gas (8)
2 Kiss and cuddle William Bird (9)
3 Not the Spanish team's flat (4)
5 Free sample for worker abroad (4-3)
6 Cold pear mashed in cheese (10)
7 In a loveless one that's silly (5)
8 Turned silver key to obtain appliance (6)
9 Grabbed part number (6)
14 From any store it ordered writing materials (10)
17 Stan freely admits he's very good for actors (9)
18 Good man speaks but doesn't speak well (8)
20 Movable louvre closed by better half (7)
21 Call about girl's colour (6)
22 Invoiced for bismuth called without accountant (6)
24 Part of Brighton I call bracing! (5)
26 A stiff carrier? (4)

Solution to Puzzle No.7,697

SMILEPLEASE DID
L N E U I V A E
INFER RELIEFMAP
G E I C M N S U
HORSESHOE GREAT
T H E N R L Y
LEATHER TIED
Y L O E S S
ENID MANDATE
W J E E J B N
AGONY PUSSYFOOT
L I M O D E T E
LANGOUSTE AGAIN
O E O I A S G C
WAR NOTALLTHERE

WORLD STOCK MARKETS

INDICES

NEW YORK

DOW JONES	Nov 12	Nov 11	Nov 8	Nov 7	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	3054.11	3042.26	3045.62	3054.11	3077.15 (18/10)	2470.30 (9/1)	3077.15 (18/10/91)	41.22 (2/7/32)
Home Bonds	97.92	97.66	97.86	97.81	97.92 (12/11)	91.30 (16/1)	97.92 (12/11/91)	54.99 (1/10/81)
Transport	1278.03	1269.43	1265.70	1281.39	1287.56 (18/10)	894.30 (7/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	219.45	218.26	218.83	219.77	220.89 (16/4)	195.17 (10/7)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 3078.71 (3057.69) Low 3028.62 (3025.27)

STANDARD AND POOR'S

	Nov 12	Nov 11	Nov 8	Nov 7	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	396.74	393.12	392.89	393.72	396.74 (12/11)	311.49 (9/1)	396.74 (12/11/91)	4.40 (1/6/32)
Industrials	467.37	462.85	462.76	463.60	472.01 (29/8)	364.90 (9/1)	472.01 (29/8/91)	3.62 (21/6/32)
Financial	32.50	32.28	32.13	32.17	32.50 (12/11)	21.46 (9/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	219.00	217.07	216.82	217.14	219.00 (12/11)	170.97 (9/1)	219.00 (12/11/91)	4.46 (25/4/42)
Amex Mkt. Value	392.37	391.24	390.46	388.26	392.37 (12/11)	296.72 (14/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	555.68	550.71	548.08	545.28	555.68 (12/11)	355.75 (14/1)	555.68 (12/11/91)	54.87 (31/10/72)

	Nov 8	Nov 1	Oct 25	year ago (approx.)
Dow Industrial Div. Yield	3.05	3.03	3.09	4.09
	Nov 6	**Oct 30**	**Oct 16**	**year ago (approx.)**
S & P Industrial div. yield	2.72	2.71	2.73	3.54
S & P Indl. P/E ratio	21.19	21.37	21.17	14.43

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Glaxo	6,352,500	29⅝	+ 1⅛
RJR Nabisco	3,442,000	10¼	---
PSEG	3,036,900	27¼	- ⅞
Ford Motor	2,924,200	25⅜	+ ½
Limited	2,911,600	26⅜	+ ¼
East Kodak	2,622,100	48⅜	+ 2⅞
Telefonos	2,360,900	44⅞	+ 1⅛
Gen Motors	2,121,300	33	+ ⅛
Philip Morris	1,977,800	70⅞	+ 1
BankAmerica	1,813,000	38⅞	- 1½

TRADING ACTIVITY

† Volume (Millions)	Nov 12	Nov 11	Nov 8
New York SE	198.600	128.910	183.513
Amex	16.666	11.289	14.161
NASDAQ	214.621	153.630	211.432
NYSE			
Issues Traded	2,162	2,128	2,146
Rises	1,097	836	887
Falls	581	742	728
Unchanged	484	550	531
New Highs	200	117	145
New Lows	11	22	9

CANADA

TORONTO	Nov 12	Nov 11	Nov 8	Nov 7	1991 HIGH	1991 LOW
Metals & Minerals	3119.54	3077.99	3060.64	3036.52	3299.99 (18/7)	2632.06 (9/1)
Composite	3604.09	3579.30	3561.56	3546.70	3604.09 (12/11)	3161.95 (15/1)
MONTREAL Portfolio	1907.35	1887.57	1880.59	1868.77	1907.35 (12/11)	1686.89 (9/1)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Nov 13	Nov 12	Nov 11	Nov 8	1991 HIGH	1991 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1669.8	1677.6	1693.4	1696.3	1696.3 (8/11)	1204.5 (16/1)
All Mining (1/1/80)	652.4	652.4	660.7	663.2	767.2 (24/7)	561.6 (16/1)
AUSTRIA						
Credit Aktien (30/12/84)	418.32	419.66	419.09	415.05	534.81 (16/4)	385.58 (4/11)
BELGIUM						
BEL20 (1/1/91)	1107.92	1105.76	(c)	1104.35	1212.15 (17/4)	917.59 (17/1)
DENMARK						
Copenhagen SE (3/1/83)	366.64	366.52	366.93	367.13	380.04 (2/8)	302.26 (8/1)
FINLAND						
HEX General (28/12/90)	813.6	815.1	821.1	822.2	1186.9 (8/4)	815.1 (12/11)
FRANCE						
CAC General (31/12/82)	497.68	496.90	(c)	494.91	497.68 (13/11)	394.88 (15/1)
CAC 40 (31/12/87)	1846.79	1858.44	(c)	1857.55	1887.29 (1/10)	1425.26 (15/1)
GERMANY						
FAZ Aktien (31/12/58)	665.28	666.39	663.40	660.31	717.43 (17/6)	570.48 (15/1)
Commerzbank (1/12/53)	1877.58	1880.6	1870.6	1861.5	2085.2 (31/5)	1612.5 (15/1)
DAX (30/12/87)	1623.23	1621.22	1609.82	1606.22	1715.80 (11/6)	1311.82 (16/1)
HONG KONG						
Hang Seng Bank (31/7/64)	4240.28	4253.02	4238.91	4236.64	4253.02 (12/11)	2984.01 (16/1)
IRELAND						
ISEQ Overall (4/1/88)	1420.73	1422.61	1415.47	1409.21	1520.65 (15/5)	1114.86 (25/1)
ITALY						
Banca Com. Ital. (1972)	515.19	512.09	518.56	509.86	619.38 (3/6)	486.26 (29/1)
JAPAN						
Nikkei (16/5/49)	24416.23	24667.73	24232.99	24406.49	27146.91 (18/3)	21456.76 (19/8)
Tokyo SE (Topix) (4/1/68)	1837.61	1845.52	1833.95	1846.81	2028.85 (18/3)	1625.00 (17/1)
2nd Section (4/1/68)	2774.62	2779.97	2785.46	2795.38	3423.45 (10/5)	2473.52 (24/1)
MALAYSIA						
KLSE Composite (4/4/86)	555.85	556.73	554.57	536.19	638.02 (29/5)	470.41 (16/1)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	283.7	284.1	281.6	282.2	284.8 (5/6)	221.4 (16/1)
CBS All Shr (End 1983)	199.3	199.5	197.8	198.4	203.1 (5/6)	162.3 (16/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	697.78	695.13	688.83	705.49	793.53 (26/8)	610.45 (21/1)
PHILIPPINES						
Manila Comp (2/1/85)	1118.65	1103.52	1119.64	1080.86	1183.40 (29/5)	582.64 (18/1)
SINGAPORE						
SES All-Singapore (2/4/75)	405.69	405.17	408.65	404.06	422.43 (26/4)	315.07 (16/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1092.04	1084.0	1091.0	1088.0	1469.0 (5/7)	971.8 (25/2)
JSE Industrial (28/9/78)	4363.06	4332.0	4315.0	4319.0	4363.0 (13/11)	2829.0 (16/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	675.85	677.53	679.58	682.03	763.10 (6/8)	590.57 (22/6)
SPAIN						
Madrid SE (30/12/85)	252.85	254.93	256.87	257.72	289.22 (18/3)	213.70 (14/1)
SWEDEN						
Affarsvärlden Gen. (1/2/37)	1008.2	1081.1	1005.6	1001.1	1149.8 (11/7)	808.4 (8/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	765.3	765.2	757.3	756.6	769.2 (29/8)	590.4 (14/1)
SBC General (1/4/87)	624.3	625.8	622.5	623.5	638.0 (31/5)	487.1 (14/1)
TAIWAN**						
Weighted Price (30/6/66)	4469.73	(c)	4491.68	4439.49	6305.22 (9/5)	3316.26 (15/1)
THAILAND						
Bangkok SET (30/4/75)	682.66	683.39	688.74	686.03	908.13 (19/4)	582.48 (16/1)
WORLD						
M.S. Capital Intl.(1/1/70) ($)	526.0*	528.2	524.0	524.2	529.2 (17/4)	439.1 (16/1)

**Saturday November 9: Taiwan Weighted Price: 4495.13; Korea Comp Ex. 684.66.
‡ Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: BEL20, HEX General, ISEQ Overall and DAX—1,000, JSE Gold—255.7, JSE 2b Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Wednesday, 13 November 1991

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Toyo Ink	8.8	709	-6	Clarion	3.3	1,410	+40
Pacific Metals	5.9	728	+25	NKK	3.0	380	-5
Meiji Milk	5.4	1,150	0	Mitsui Sugar	2.9	600	+21
Toho Bank	4.3	805	+37	Nisshin Oil Mills	2.8	1,110	-40
Okamoto	3.5	825	-6	Meiji Seika	2.5	1,140	-30

Price data supplied by Telekurs.

3:00 pm prices November 13

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1991 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
16⅞	9¼	AAR Corp	0.48	3.5	18	575	14	13⅞	13¾	-⅛
22⅞	14½	A L Labs A	0.16	0.7	34	733	22¼	21¼	22	-⅛
65¾	40⅞	AMP Inc	1.44	2.7	32	714	53⅞	53½	53⅞	
68⅞	44¼	AMR				122471	61⅞	60⅞	61	-⅝
2⅞	1	ARX				11113	1¼	1⅛	1⅛	
56	41½	ASA x	3.00	6.4	13	118	47⅛	46⅞	46⅞	+¼
61⅞	39¼	Abbott Lab	1.00	1.6	24	3588	61⅛	60⅞	61⅛	-¼
14⅝	9⅞	Abitibi Pr	0.50	3.6	25	15	13⅞	13¾	13¾	-⅛
11⅝	10⅜	ACM Gvt In x	1.26	11.4		436	11	10⅞	11	+⅛
9¾	8¾	ACM GvOpp x	1.01	10.6		171	9½	9⅜	9½	
9½	8¼	ACM Gvt Sp x	1.01	11.1		192	9¼	9⅛	9⅛	
11	8⅞	ACM Gvt Se	1.26	11.8		271	10⅝	10½	10⅝	+⅛
9	7⅝	ACM Man x	1.01	11.5		220	8⅞	8⅝	8¾	
12⅞	11½	ACM Mangd x	1.35	10.8		231	u12⅞	12¾	12¾	-⅛
7½	4⅞	Acme Cleve	0.40	6.3	17	42	6⅜	6¼	6⅜	
6	3⅞	Acme Elect			45	20	5	4⅞	5	
40	22¾	Acuson			66	896	37	36⅜	36⅜	-¼
20¼	14¼	Adams Expr	0.78	3.8	1	83	u20¼	20	20⅛	
20¼	17½	Adobe 12P1	2.40	12.6		6	19	19	19	-⅛
9¼	6⅝	Adobe Res			40	712	7⅜	7¼	7¼	-⅛
38⅞	18	Ad Micro				380	37½	36⅛	37¼	+1¼
14¼	4⅞	Ad Micro P	3.00	22.0	104	1574	13⅞	12⅞	13⅝	+⅝
5⅛	2¼	Advest Grp	0.16	3.9	8	46	4⅛	3⅞	4⅛	+⅛
49⅛	31⅞	Aetna Lf	2.76	6.7	39	3395	41⅝	41¼	41⅜	+⅛
10⅞	6⅝	Ahli A x	0.24	3.0	53	818	8⅛	8	8	-⅛
20⅞	12	Ahmanson x	0.88	5.6	10	2910	15⅞	15⅝	15¾	-⅛
18	2⅞	Aileen Inc			18	113	u18⅛	17⅞	17⅞	-⅛
74⅞	51⅞	Air Pr Chm	1.56	2.2	17	750	72	71⅛	71¾	-¼
30	16⅝	Airbne Frt x	0.30	1.3	56	264	22⅞	22⅝	22⅝	-⅜
21¾	12½	Airgas Inc			79	433	u21½	20½	21½	+⅞
15⅞	10	Airlease	1.88	14.3	6	31	11⅞	11¾	11¾	
99½	88¼	AlaPw8.16 x	8.16	8.2		z100	u99½	99½	99	-½
25⅛	21⅞	AlaPw P1A	2.00	8.0		11	u25⅛	25⅛	25⅛	

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

[illegible]

Price data supplied by Telekurs.

NYSE: The figures in the Yield column have been adjusted to show yield %.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3:00 pm prices November 13

[illegible]

NASDAQ NATIONAL MARKET

3:00 pm prices November 13

[illegible]

AMERICA

Falling bonds hit equities after producer price data

Wall Street

AN UNEXPECTEDLY large rise in the latest inflation figures left share prices weaker across the board yesterday morning in the wake of higher bond yields, *writes Patrick Harverson in New York.*

By 1 pm the Dow Jones Industrial Average was down 13.86 at 3,040.25. The more broadly based Standard & Poor's 500 was also lower, slipping 1.84 to 394.90, while the Nasdaq composite of over-the-counter stocks eased 2.71 to 552.97 and looked like ending four consecutive days of record-setting rises. Volume on the NYSE was 111m shares by 1 pm, and declines outpaced rises by almost two to one.

The market opened weaker on the heels of a big decline in bond prices – the benchmark 30-year bond was down 1⅛ points at one stage – which pushed long-term market interest rates sharply higher. The bond market sell-off, which approached panic proportions in frantic early trading, was triggered by news of a 0.7 per cent rise in October producer prices.

The market had been expecting a rise of no more than 0.2 per cent, so the figures revived fears that climbing inflation could reappear in the economy and threaten the Federal Reserve's accommodating monetary policy.

Many analysts asserted that, because of unusual seasonal factors, last month's producer prices data would probably prove a one-off phenomenon, and were not evidence of growing inflationary pressures in the economy. But the damage had been done and share prices struggled to recover their lost ground.

Among individual stocks, McDonnell Douglas rose $2½ to $79¼ after the company said that it might sell up to 40 per cent of its civil aviation operations to a group of Far East and Pacific Rim buyers for about $2bn. McDonnell has been seeking a partner for its jetliner business to raise funds for the launch of its new MD-12 wide-body line of commercial aircraft.

In the same sector, United Technologies fell $⅝ to $49⅛ after announcing that its cost-cutting programme would result in fourth quarter charges which would push the company into a loss for the year.

Kimberley-Clark fell $6⅛ to $94¼ after the company warned that 1992 earnings could fall short of some market estimates. The group also unveiled a two-for-one stock split and boosted its dividend. Goodyear fell $1 to $49⅛ after it priced 12m shares at $50 each. Nike fell $1⅜ to $59⅞ after Shearson Lehman lowered its rating on the stock.

On the over-the-counter market, *Immune Response plunged* $16¾ to $45 on volume of 3.2m shares on concern that an Aids vaccine being developed by the company was not as near to receiving approval from the Food and Drug Administration as originally had been hoped.

The ADRs of Reuters, the UK-based news agency and financial information provider, slumped $1⅛ to $49⅛ on reports that Bear Stearns, the New York broking house, had taken a more negative view of the stock after a conference call with the company on Tuesday.

IDB Communications eased $⅝ to $14¾ in active trading after its offering of 2.3m additional shares of common stock was made at $14.75 a share.

Canada

PROFIT-TAKING pulled Toronto lower after the market hit a 1991 high on Tuesday. The US inflation figures undermined the bond market, which in turn depressed equities.

The composite index lost 19.9 to 3,584.2. Falls led advances by 293 to 136 in volume of 19.5m shares valued at C$245.7m.

Northern Telecom built on Tuesday's rise of C$1⅝, gaining C$1⅛ to C$51¼. The telecoms giant has won contracts from Ameritech worth between US$650m and US$750m.

Latin America produces trio of big movers

Argentina and two laggards led emerging markets last month, says **Jacqueline Moore**

THE extraordinary performance of Latin America's stock markets in the past couple of years continued unabated last month. *While Asian and European* emerging markets were uncharacteristically subdued, with none up or down by more than 10 per cent in dollar terms, Latin America produced a trio of big movers, according to the International Finance Corporation (IFC), part of the World Bank.

Of the three stars, Argentina reinforced its position as the best performing market in the world this year, rising 19.5 per cent on the month and 367.4 per cent on the year in dollar terms. The other two, Colombia and Venezuela, were even stronger, both growing by more than 30 per cent.

Before last month, Colombia and Venezuela were the region's two laggards, up 8 per cent and down 5.4 per cent respectively in dollar terms. October's rises were, therefore, partly a catch-up process. "Everyone is trying to find the next successful market," says Mr Terry Mahony of Baring America Asset Management in Boston, Massachusetts. Both markets were strong last year, however, when Venezuela was the world's best performer and Colombia was fourth, *according to the IFC.*

Colombia rallied in the run-up to new regulations, signed on October 22, which allow foreigners to invest directly in the market, says Mr Paul Weiss at Corredores Asociados, a brokerage based in Bogotá. Foreigners have not yet started to invest, but the market has risen on the expectations that some are currently doing the legal paperwork necessary to do so.

In spite of the market's advance, volumes have not been heavy, because available stock is limited, says Mr Weiss. Of the 170 stocks listed, about half are listed simply for political reasons, he adds, and only about 30 are regularly traded.

Colombia's reputation as a drug producer is not discouraging foreign interest, says Mr Mahony. Investors are prepared to look more at the fundamentals, he adds, pointing to the country's good economic growth, lack of hyperinflation and well-managed companies.

Venezuela was driven higher last month partly by American interest, which was stimulated by news of the country's first American depositary receipt (ADR) on the over-the-counter market in New York, according to Mr Mahony. Sivensa, a steel company, said at the end of September that it had established an ADR facility.

Another reason for the gains was a takeover rumour, centring on Electricidad de Caracas, which has seen its share price surge from about 200 pesos six weeks ago to a peak of 550 pesos before easing back to 431, says Mr Mahony.

IFC EMERGING MARKETS PRICE INDICES

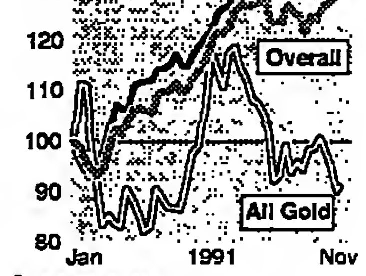
Market	No. of stocks	Dollar terms: Oct 31 1991	Dollar terms: % Change over month	Dollar terms: % Change on Dec '90	Local currency terms: Oct 31 1991	Local currency terms: % Change over month	Local currency terms: % Change on Dec '90
Latin America							
Argentina	(29)	1218.86	+19.5	+367.4	68,976,099	+19.6	+717.3
Brazil	(67)	91.73	+5.2	+120.0	18,160,885	+27.2	+784.1
Chile	(35)	1647.22	−6.6	+103.1	4,585.73	−5.8	+117.3
Colombia	(20)	425.34	+32.6	+44.4	2,534.78	+35.0	+87.5
Mexico	(56)	1396.69	+10.0	+93.1	22,220.45	+10.6	+101.2
Venezuela	(16)	624.06	+31.1	+24.0	4,909.30	+30.9	+47.1
East Asia							
South Korea	(77)	332.54	−4.0	−3.0	301.71	−2.9	+1.9
Philippines	(30)	1275.22	+6.1	+38.1	1,710.19	+7.1	+35.5
Taiwan, China	(70)	600.80	−8.0	−6.1	395.68	−9.6	−8.4
South Asia							
India	(60)	274.78	−0.3	+16.0	569.72	−0.2	+64.9
Indonesia*	(66)	49.52	−9.9	−49.2	54.46	−9.6	−46.8
Malaysia	(62)	135.97	+1.6	+3.0	154.14	+2.0	+5.0
Pakistan	(54)	181.24	+5.3	+47.5	290.15	+5.9	+67.0
Thailand	(43)	267.09	−4.6	−9.5	251.67	−4.4	−8.5
Euro/Mid East							
Greece	(32)	398.11	+1.4	−25.0	581.04	+2.4	−11.9
Jordan	(25)	90.58	−0.7	−0.2	165.70	+1.9	+7.4
Portugal†	(30)	413.56	−3.8	−5.1	381.93	−4.1	−0.3
Turkey‡	(25)	61.47	−9.3	−66.0	395.46	−6.2	−42.8

*Source: International Finance Corporation. Base date: Dec 1984=100. *Dec 1989=100. †Jan 1986=100. ‡Dec 1986=100*

SOUTH AFRICA

Johannesburg

Indices rebased



Source: Datastream

JOHANNESBURG hit a record yesterday for the second day in a row. The rally followed the transfer of the management of state pension funds to local institutions, which were buying big-capital stocks, said one analyst. The overall index rose 38 to a record 3,580 and the industrial index gained 31 to 4,363. De Beers rose R1.65 to a year's high of R100.15 in heavy turnover of R26m.

ASIA PACIFIC

Nikkei retreats as interest evaporates

Tokyo

ARBITRAGE-related selling combined with a lack of conventional investor interest yesterday, and the Nikkei average *shed part of Tuesday's gain, writes Emiko Terazono in Tokyo.*

The Nikkei receded 251.50 to close at the day's low of 24,416.23, after reaching a high of 24,814.35 in the morning on arbitrage buying. Volume remained low, at 200m shares.

Declines led advances by 548 to 357, with 212 issues unchanged. The Topix index of all first section stocks slipped 7.91 to 1,837.61, but in London the ISE/Nikkei 50 index firmed 3.32 to 1,386.95.

The lack of commitment by domestic investors and the thin activity on the part of foreigners depressed volume. Mr Chris Newton at James Capel commented: "The domestic institutional investors are very cautious." He added, however, that foreigners were still willing to commit funds to Japanese stocks.

The equity and bond markets were depressed by reports that a Bank of Japan official had commented that the *central bank would cut the discount* rate today by only 0.5 of a percentage point. Some market participants had been looking for a 0.75 point cut.

High-technology issues were weaker on light selling by foreign investors and investment trusts. Hitachi declined Y7 to Y965 and Sony Y10 to Y5,000. Power utilities was one of the few sectors to advance, with some investors calculating that a rate cut would improve earnings. Tokyo Electric Power added Y90 at Y3,580.

Yokogawa Bridge dropped Y170 to Y1,800. Investors were discouraged by the company's downward revision for current year profits. It changed its forecast from an 11 per cent fall in pre-tax profits to Y3.1bn, to a 45 per cent drop to Y1.9bn.

Traders looking for short-term profits turned to speculative issues. Clarion put on Y40 to Y1,410 and Nihon Nohyaku, the agrochemical maker, rose Y230 to Y1,900.

In Osaka, the OSE average *gained 49.54 to 26,473.20* in volume of 16.5m shares. Shimano, the bicycle parts maker, rose initially after the company denied rumours of a downward revision in earnings, but finished Y60 down on the day at Y2,490 on profit-taking.

Rohm, the microchip maker, moved ahead Y40 to Y3,170 in spite of the unpopularity in *high-technology stocks. Rohm* is projecting favourable results for the current year.

Roundup

PROFIT-TAKING was widespread throughout the Pacific Rim markets yesterday.

AUSTRALIA's correction continued. The All Ordinaries index dipped 8.0 to 1,669.0 as turnover increased to A$248m from A$223m.

Against the trend, Adsteam jumped 10 cents to 28 cents and associated companies were also firm, with David Jones up 4 cents at 30 cents and Tooth 10 cents higher at 60 cents. The strength followed news that the group's debt refinancing plans were nearing completion and speculation that the Woolworths flotation would be brought forward.

ANI eased 5 cents to A$2.12 after Consolidated Press Holdings sold its 104m shares in the *company at A$2.03 each.*

NEW ZEALAND lost ground on profit-taking. The NZSE-40 index relinquished 9.38 to 1,547.78 in turnover of NZ$19.2m, up from NZ$13.5m. Telecom, which reached its best level since its July listing earlier this week, surrendered 6 cents to NZ$2.63 in the day's most active volume of 1.7m shares.

HONG KONG also suffered from profit-taking. The Hang Seng index gave up 12.74 to 4,240.28 in active trading worth HK$2.14bn, up from HK$1.87bn.

Property development shares continued to weaken in the wake of the recent measures to reduce speculation, as investors switched into banks and other defensive sectors.

Cheung Kong fell 40 cents to HK$19.60, but HSBC Holdings, the listed name of Hongkong and Shanghai Banking, gained 50 cents to HK$35.75.

SINGAPORE eased as investors *took profits. The Straits* Times Industrial index lost 9.79 to 1,472.41 as turnover shrank to S$133m from S$239m.

Van Der Horst appreciated 9 cents to S$1.21 as 3.2m shares changed hands on a rumour of takeover plans by the Sembawang group.

JAKARTA rose across the board on active foreign buying, the official index gaining 5.01 at 242.24. Volume stayed high, amounting to 7.6m shares.

MANILA's composite index rose 15.13 to 1,118.65 in anticipation of fourth-quarter corporate results. Stock scandal talk and political worries pushed TAIWAN 21.95 lower to 4,469.73 in thin trading after the previous day's holiday.

EUROPE

Domestic inflation decline fails to inspire Madrid

THE US producer price data gave an unhappy tone to later trading in bourses yesterday, *writes Our Markets Staff.*

MADRID was not impressed by news of a fall in domestic inflation in October. Mr Miguel Olabarri of Schroder Securities pointed out that, in the same month last year, petrol prices had been at a peak and a transport strike had raised fresh fruit prices. Excluding petrol and fresh fruit, inflation actually moved higher last month.

The bourse's general index fell 2.08 or 0.8 per cent to 252.85 in turnover of about Pta14bn, up from Pta8bn.

Banks and construction stocks were weak, with BBV down Pta40 at Pta2,695 and Dragados off Pta65 at Pta1,670. Endesa was active, rising Pta15 *to Pta2,825 in 803,140 shares.* Mr Olabarri suggested that there had been US buying of Endesa, which also has ADRs listed in New York.

FT-SE Eurotrack 100 - Nov 13

Hourly changes: Open	10 pm	11 am	Noon	1 pm	2 pm	3 pm	Close
1107.91	1106.87	1107.53	1108.29	1108.73	1105.08	1104.42	1104.90

Day's High 1109.03 | Day's Low 1103.71

Nov 12	Nov 11	Nov 8	Nov 7	Nov 6
1106.72	*1100.31†*	*1102.71*	*1090.12*	*1089.50*

Base value 1000 (26/10/90) † Partial

FRANKFURT had a mixed day, sparkling in the pre-bourse, stagnating during the official trading session and subsiding in the afternoon.

The stars of the early morning had been Siemens and Volkswagen, said Mr Jens Wiecking of Merck Finck in Düsseldorf, with rises of DM11.50 to DM642, and DM5.50 to DM334 respectively. Siemens fans were hoping for good results and a higher dividend.

Equities flattened out after that. Siemens closing DM6 higher at DM636.50 – effectively consolidating the gains it made after hours on Tuesday – and VW DM3 higher at DM331.50. The DAX index ended 2.01 higher on the day after a 1.11 fall to 665.28 in the FAZ at midsession. Volume fell from DM7.1bn to DM5bn.

Siemens later came out with *satisfactory profits and an* unchanged dividend. After the US producer prices news, bond prices were weak in New York and weaker still in Germany; and German equities in London were trading about half a percentage point lower than at the Frankfurt close. Siemens ended at DM633.50 in the after-market, and VW at DM329.

There was worse news during the day for Altana, whose Milupa baby food subsidiary had been ruled liable for damages to children's teeth caused *by its highly sugared teas. Alt*ana fell DM15 to DM632 for a three-day loss of DM28.

MILAN saw selective, and apparently foreign, buying of some blue chips and insurers as the Comit index rose 3.10 to 515.19. Generali, Italy's biggest insurer, drove the market up again, rising L610 to L26,510, and to L26,700 after hours. Elsewhere in the sector, the Fiat group insurer, Toro, put on L1,550 or 7.6 per cent to L21,850, SAI L850 to L13,850 and Unipol L750 to L17,250.

The merchant bank, Mediobanca, which holds about 6 per cent of Generali and headed the consortium which underwrote the latter's recent L1,700bn capital increase, also put on a good showing, climbing L530 to L13,600.

However, some dealers thought that yesterday's gains were mostly technical.

PARIS fell, with the decline picking up pace after Wall Street's opening. The CAC 40 index closed 11.65 down at *1,846.79 in turnover up from* FFr1.8bn to about FFr2bn.

Several blue chips bucked the trend. Total continued to advance, adding another FFr27 or 2.6 per cent to FFr1,060 in volume of 157,050 shares, while Saint-Gobain, which announced a rise in nine-month sales, gained FFr9.30 or 2.1 per cent to FFr448.50. Rhône-Poulenc picked up FFr7 to FFr484 after announcing a third-quarter profit.

AMSTERDAM recovered from an afternoon low, with *the CBS Tendency index end*ing 0.2 down at 91.6, after moving between 91.9 and 91.3, in moderate turnover of Fl 624m.

Ahold, the supermarkets group, fell Fl 1.10 to Fl 84 on profit-taking after its Fl 2.90 rise on Tuesday. Royal Dutch eased 70 cents to Fl 151.80 in cautious trading before today's third-quarter results. But Unilever added 60 cents to a year's high of Fl 173.50 in continued enthusiasm for last week's quarterly figures.

ZURICH retreated in active volume, the Crédit Suisse index losing 2.4 to 499.6. Banks and insurers ended mostly lower on further profit-taking, but strong buying gave chemicals a firmer tone.

In the services sector, Adia continued its slide, losing SFr31 to SFr616. Among engineers, Sulzer dropped SFr9 to SFr424 after it said that 1991 group net profit is expected to decline by at least 20 per cent.

BRUSSELS was little changed, but Wagons-Lits *gained BFr210 or 2.4 per cent to* BFr8,860 on news of legal activity by shareholders over Accor's bid for the company.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS (Figures in parentheses show number of lines of stock)	TUESDAY NOVEMBER 12 1991: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div Yield	MONDAY NOVEMBER 11 1991: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 1991 High	1991 Low	Year ago (approx)
Australia (69)	158.84	−0.9	132.83	130.13	135.03	134.25	−1.1	4.51	160.29	134.30	131.72	136.60	135.72	160.31	112.74	125.13
Austria (20)	172.44	+1.0	144.19	141.27	146.58	146.54	+0.8	1.95	170.72	143.04	140.29	145.70	145.60	222.37	153.86	202.81
Belgium (47)	133.40	+0.1	111.55	109.28	113.39	111.03	−0.2	5.33	133.31	111.69	109.54	113.77	111.28	151.20	118.04	139.76
Canada (115)	143.97	+1.2	120.39	117.93	122.37	118.01	+1.2	3.16	142.27	119.20	116.90	121.41	116.57	143.97	126.49	125.08
Denmark (37)	261.81	+0.3	218.92	214.48	222.54	226.29	+0.1	1.57	261.07	218.74	214.53	222.80	226.09	270.56	217.74	255.59
Finland (15)	87.56	−1.1	73.22	71.74	74.43	73.72	−1.1	3.30	88.54	74.19	72.76	75.56	74.54	125.15	83.69	105.42
France (109)	145.90	+0.5	122.00	119.51	124.01	127.87	+0.1	3.47	145.23	121.69	119.34	123.93	127.75	152.26	119.11	140.03
Germany (65)	113.01	+1.0	94.50	92.59	96.06	96.06	+0.8	2.36	111.92	93.77	91.98	95.51	95.51	125.35	94.15	115.92
Hong Kong (55)	175.29	+0.3	146.58	143.60	149.01	174.67	+0.3	4.25	174.78	146.44	143.62	149.16	174.13	175.29	119.62	122.29
Ireland (18)	162.72	+1.5	136.07	133.31	138.32	140.19	+1.0	3.57	160.35	134.35	131.77	136.85	138.83	182.46	132.88	150.16
Italy (77)	70.16	+0.7	58.67	57.48	59.64	64.56	+0.6	3.59	69.65	58.36	57.23	59.44	64.15	88.23	64.76	82.00
Japan (474)	140.39	+1.0	117.39	115.01	119.35	115.01	+0.7	0.74	139.00	116.46	114.22	118.64	114.22	146.87	118.23	130.33
Malaysia (68)	212.87	+0.8	178.00	174.38	180.94	224.80	+0.8	2.77	211.14	176.91	173.50	180.19	223.05	247.78	189.18	194.14
Mexico (17)	1344.18	+0.0	1124.01	1101.18	1142.60	4513.30	+0.0	1.13	1343.56	1125.71	1104.07	1146.61	4511.23	1350.05	534.45	547.37
Netherland (31)	147.65	+1.3	123.46	120.96	125.51	124.20	+0.9	4.35	145.76	122.12	119.78	124.39	123.11	147.65	125.70	133.82
New Zealand (14)	50.02	+1.2	41.83	40.98	42.52	47.20	+0.7	6.03	49.42	41.40	40.61	42.17	46.89	54.64	41.18	49.28
Norway (30)	187.13	+1.3	156.48	153.30	159.07	162.87	+0.9	1.59	184.78	154.82	151.85	157.70	161.39	223.24	178.58	228.51
Singapore (38)	211.62	−1.1	176.96	173.36	179.88	163.64	−1.0	2.13	213.93	179.24	175.80	182.57	165.38	213.93	151.63	154.85
South Africa (61)	263.69	−0.6	220.50	216.02	224.14	178.44	+0.5	2.74	265.18	222.19	217.91	226.31	177.54	265.18	173.00	165.24
Spain (53)	151.13	−0.6	126.37	123.81	128.46	117.98	−0.8	4.66	152.10	127.44	124.99	129.81	118.97	171.12	131.51	149.02
Sweden (25)	181.44	−0.9	151.72	148.64	154.23	160.69	−1.1	2.78	183.06	153.38	150.44	156.23	162.40	204.12	146.60	168.90
Switzerland (59)	98.49	+0.8	82.36	80.69	83.73	88.57	+0.9	2.18	97.74	81.89	80.32	83.42	87.80	100.67	82.17	92.66
United Kingdom (240)	182.96	+0.8	153.00	149.87	155.51	153.00	+0.6	4.86	181.44	152.02	149.09	154.83	152.02	187.44	156.27	161.66
USA (526)	161.35	+0.9	134.92	132.18	137.16	161.35	+0.9	3.00	159.90	133.97	131.40	136.46	159.90	161.35	125.95	128.22
Europe (826)	143.95	+0.7	120.37	117.93	122.37	122.14	+0.5	3.94	142.94	119.77	117.47	122.00	121.58	151.52	125.50	136.52
Nordic (107)	183.67	−0.1	153.59	150.47	156.13	154.47	−0.3	2.09	183.86	154.05	151.09	156.91	154.94	200.81	155.55	181.57
Pacific Basin (718)	141.54	+0.9	118.35	115.95	120.31	117.01	+0.6	1.07	140.31	117.56	115.30	119.74	116.33	145.92	117.86	129.52
Euro - Pacific (1544)	142.85	+0.8	119.45	117.01	121.42	119.89	+0.5	2.22	141.70	118.73	116.44	120.92	119.24	147.66	121.29	132.73
North America (641)	160.19	+0.9	133.95	131.24	136.19	158.42	+0.9	3.01	158.72	132.99	130.45	135.48	156.97	160.19	125.91	127.94
Europe Ex. UK (586)	120.81	+0.6	101.02	98.99	102.71	104.44	+0.3	3.23	120.08	100.61	98.70	102.50	104.10	129.80	103.58	120.68
Pacific Ex. Japan (244)	152.83	−0.2	127.80	125.22	129.92	135.32	−0.3	4.09	153.19	128.35	125.90	130.75	135.78	153.19	111.40	119.31
World Ex. US (1737)	144.90	+0.8	121.17	118.72	123.18	121.50	+0.8	2.25	143.78	120.46	118.16	122.70	120.83	148.16	122.32	133.03
World Ex. UK (2023)	146.16	+0.8	122.22	119.75	124.25	132.04	+0.7	2.26	144.96	121.46	119.13	123.72	131.13	146.16	120.06	127.27
World Ex. So. Af. (2202)	148.61	+0.8	124.27	121.75	126.33	133.65	+0.7	2.52	147.38	123.48	121.10	125.77	132.74	148.66	122.92	130.11
World Ex. Japan (1789)	155.55	+0.7	130.07	127.44	132.24	144.46	+0.7	3.38	154.39	129.36	126.86	131.78	143.48	155.55	126.69	131.60
The World Index (2263)	149.37	+0.8	124.90	122.37	126.98	134.04	+0.7	2.53	148.14	124.12	121.74	126.43	133.13	149.37	123.28	130.32

Latest prices were unavailable for this edition.